MERLUZA A LA VASCA

Serves 4

Ingredients:
4 fish steaks, such as hake or fresh cod, about 1 inch thick
Salt
Freshly ground pepper
Flour for dusting
4 Tbsp. olive oil
1 Tbsp. lemon juice
4 cloves garlic, minced
3 Tbsp. minced onion
2 Tbsp. flour
¾ cup white wine
¾ cup fish broth
6 Tbsp. minced parsley
¾ cup peas, fresh or frozen
1 dozen small clams
1 dozen small mussels
1 hard-boiled egg, finely chopped

Method:
Sprinkle fish with salt and pepper; dust with flour. Heat 2 tablespoons of oil in a large skillet. Fry steaks briefly—about 1 minute per side.

Transfer them to 4 individual ovenproof dishes. Sprinkle them with lemon juice.

Wipe out skillet. Heat 2 tablespoons of oil and saute garlic and onion until onion is wilted. Stir in 2 tablespoons of flour and gradually pour in wine and broth. Stir until the sauce is thickened and smooth. Add 5 tablespoons of parsley, the peas, salt and pepper.

Pour equal amounts of sauce over each steak and decorate each dish with 3 clams and 3 mussels. Place dishes in a 350° oven and bake about 20 minutes or until fish flakes and the shellfish have opened. Sprinkle on remaining tablespoon of parsley and the hard-boiled egg. Boiled potatoes may be added if desired.

—Cafe San Martin

French comfort food that people don't have time to cook."

American chefs are enthusiastic

Joyce Goldstein, chef-owner of Square One (125 seats, San Francisco), has been a leader in the focus on regional specialties. She has featured representative regional dishes from Italy, France, Africa and the Iberian Peninsula every Wednesday for the past three years. She reports the Italian and Spanish and Portuguese have been the most popular selections.

"It takes the patrons traveling and

CHOUCROUTE GARNIE A L'ALSACIENNE (Alsatian Choucroute)

Serves 6

Ingredients:
⅔ cup lard
2 onions, chopped
2 cups Sylvaner or Riesling wine
1 cup water
2 smoked ham hocks
2½ lbs. salt pork or 1/2 smoked pork shoulder
12 oz. smoked bacon in one piece
12 oz. salt bacon in one piece
4½ lbs. raw sauerkraut
Salt & pepper
3 cloves
6 juniper berries
1 bay leaf
3 cloves garlic
6 frankfurters (kosher or Strasbourg sausage)
3 smoked sausages or Colmar sausage
6 slices pork liver
8 oz. bratwurst
1 ring blood sausage

Method:
Wash or soak meats before cooking. Preheat oven to 350°. In a heatproof roasting pan, melt half the lard and add onions. Saute until wilted, then add wine and water.

Add ham hocks, salt pork or smoked shoulder, smoked bacon and salt bacon. Place sauerkraut on top of these meats. Salt very lightly and sprinkle with black pepper.

Tie cloves, juniper berries, bay leaf and garlic in a piece of cheesecloth. Add spice bag to pan.

Cover and cook in a moderate oven for 1 hour, 30 minutes.

In a saucepan, in simmering water, separately parboil frankfurters, smoked sausages and liver slices each for about 10 minutes.

Melt remaining lard in a skillet and brown bratwurst and blood sausage. Cut blood sausage into 6 pieces.

When sauerkraut is cooked, taste for seasoning. Remove cheesecloth bag.

Place sauerkraut in a large, hot bowl or deep platter. Arrange various meats and sausages over sauerkraut. Serve liver in a separate dish.

—Omni Hotels

keeps them coming back to the restaurant," Goldstein says matter-of-factly. "People accept food for its taste," she points out. "If it tastes good, they like it, and they aren't intimidated by an unfamiliar dish or ingredient."

Plus, Goldstein adds, regional ethnic cooking seems to be as popular with chefs as it is with patrons. "It excites the staff, which keeps them interested in their work and helps to reduce turnover," she explains. Goldstein, a former cooking teacher, says she finds "the in-depth study of a region fascinating."

Some chefs are overwhelming in their support of regional ethnic preparation, while others guard their enthusiasm. Rene Guzman of Bosco's believes it is a new trend that can provide a competitive edge. "I would definitely recommend ethnic restaurants offer regional specialties. Because there's so much competition in this business, we have to constantly be aware and capitalize on new trends. This is one," he advises.

Food and Wines from France, which has worked mainly with large chain hotels like Omni on their regional promotions, says these dishes definitely generate traffic and publicity, but cautions that it may be more difficult for an independent operator who lacks the support staff available to a hotel chef to develop such menus.

Square One's Goldstein confirms that the task is time consuming. "Developing my regional menus takes hours. I have to do the research, test the recipes and train the staff," she says. "I recommend it only to those with the time and energy required to execute it properly."

Regionalism is synonymous with authenticity

Yet, for a native like Ramon San Martin, knowledge of Spanish food comes naturally. "If I prepare authentic Spanish food, how can I avoid regional dishes?" he questions. For San Martin regionalism is synonymous with authenticity. The only problem he encounters is the lack of availability of some ingredients. "Technically, *changurro* should be prepared with a Galician crab. I often use Alaskan crab which is not the same, but similar," he says. "But, in some cases there are no excuses for substitutions. Paella should always be cooked in a flat pan." ❑

FAST FOOD WITH NO CASH

The ''cashless'' society futurists have talked about for years is now becoming a reality in the fast food business, long thought to be a stronghold of cash and carry.

It's lunchtime. Sam has a wallet full of credit cards but no cash. He would like fast food because it is quick and cheap, but the bank's automated money machine is 10 blocks away.

It's Friday night. Tom and Jane have the kids and only $5 in cash.

Kathy Boyle is a freelance writer in Rockville, Maryland, who writes frequently for **Restaurants USA.**

by Kathy Boyle

They want to eat out, but not at an expensive fine dining restaurant.

As Americans carry less cash, such scenarios are becoming more common, and a small number of fast food restaurant companies have begun to reconsider the segment's traditional stance against noncash transactions. They have put aside their concerns about the added service time such cashless transactions can mean, and they are experimenting with several types of noncash options for customer payment. Most are considering bank debit cards, but at least one fast food company is seriously testing credit card payment.

No one is sure what the outcome will be, but with millions of debit cards and credit cards in existence in the United States, it is certainly a potentially large and lucrative market.

Chains test debit cards

Wendy's International, Carl Karcher Enterprises and Roy Rogers Restaurants are among the operators testing electronic banking cards in selected units around the country.

Unlike credit cards, electronic banking is based on the instantaneous transfer of funds from one bank account to another—in this case from the customer's account to the fast food restaurant's account. Delays that might be experienced from other types of noncash payment, such as a check or credit card, are eliminated.

In these early stages of applying automated teller machines (ATM) or debit card technology to the restaurant business, fast food restaurants are primarily using two types of debit machine setups: either stand-alone debit machines similar to those used at banks, located either within the restaurant or just outside the restaurant, or a system in which the debit function is built into the restaurant's point-of-sale cash register.

Roy Rogers Restaurants have been testing the first type of option, the stand-alone ATM in Washington, DC, locations since June 1986. Says Mary Maguire, manager, public relations and administration of Roy Rogers Restaurants, "We use a conventional ATM. Customers can deposit money, get an account balance and make a withdrawal." Maguire notes that the experiment is doing well: "At some locations our machines are doing more business than other nearby bank ATMs."

For the test, Roy Rogers Restaurants picked a variety of types of units—from downtown locations to free-standing ones with parking lots to those in malls—to assess the feasibility of the machines at various types of locations. Despite the initial success of debit card usage, Roy Rogers has not yet committed to going chainwide. Maguire explains that the company still considers the machines an experiment.

Like Roy Rogers, Wendy's is experimenting with stand-alone ATM machines. However, the Wendy's test, in effect since early 1987 in four Wendy's units in the Dayton, Ohio, area, is part of a larger ATM experiment. The project includes a number of other merchants as well, including grocery stores, convenience stores, gas stations and drugstores. The experiment draws from a base of 7.5 million Money Station debit cardholders in Ohio (representing 90 percent of the debit card base in the state).

The Wendy's experiment differs from Roy Rogers' because ATM machines issue scrip, rather than cash. In the Wendy's experiment, the cardholder takes the card to a terminal located on a pedestal somewhere in the unit away from the cash registers. The cardholder enters the card, keys in the proper personal identification number (PIN) and then receives a receipt (scrip) for $10. This scrip is taken to a Wendy's cashier who credits the purchase against the scrip and returns any change. Because the $10 is instantaneously debited from the cardholder's account and credited to Wendy's account, the scrip is merely used as verification of the transaction for the cashier.

"Today, with so many people walking around without cash, we thought this might add to the convenience for the customer," says Paul Raab, manager of corporate communications for Wendy's International, Inc. in Dublin, Ohio. "And," he adds, "it fits with our philosophy of offering customers their choice, even in payment options."

"We did not know if consumers would accept using ATMs and debit cards for hamburgers," explains William H. Petrarca, senior vice president, EFT Strategies of National City Bank in Cleveland, Ohio, who worked closely with Wendy's in implementing the system. "Although these types of purchases have typically been made in cash, we thought, given the option, customers might prefer using their debit card over a check, for example. A lot of customers do not have their checkbook with them, or, even if they do, they may perceive the identification required to cash a check intimidating."

To try to make the Dayton experiment a fair test of customers' potential acceptance level, bankers, equipment vendors and merchants worked out the system together. In each retail business setting, the bank and equipment vendor worked with the merchant to make the ATM operations fit into each participating merchant's business operations. For example, in fast food, where speed of checkout is of great concern, the scrip system was developed to eliminate any holdup in service lines. "At a high volume Wendy's, throughput is key," says Petrarca. "We did not want to jeopardize this aspect of operations."

So far the experiment is a success. Wendy's Raab notes, "The system has had a positive impact on check size at the units where it is being tested." Like Roy Rogers, however, Wendy's has yet to commit itself to the system nationwide. "We will make a decision at the end of the year if we are continuing ATMs," says Raab.

Currently, there is no charge to customers for using the system, and, in fact, Wendy's has provided food incentives for customers to try it.

Merging the debit machine with the cash register

The other debit machine option is one where the debit machine is actually part of the restaurant's point-of-sale cash register system. With this setup, customers use their cards to pay for purchases at the register.

Carl's Jr., part of Carl Karcher Enterprises, headquartered in Anaheim, California, has been using this system since July 1987. Carl's Jr. accepts ATM cards for payment at 30 Carl's Jr. locations in the San Diego area. The system even allows customers to get additional cash back—up to $20.

"We think it's a natural pairing to bring ATM technology to fast food customers—we already know they appreciate convenience and streamlined service," says Robert Altman, the company's managing director of management information systems. "And it's easy to pay with an ATM card."

At the register, the customer slides the card through a slot and privately keys in his or her secret code. The system asks the customer to okay the amount, then rapidly verifies that the customer has funds to cover the purchase. The cost of the meal, in addition to any cash back, is automatically deducted from the patron's checking account.

Altman's observation is that the time it takes for approval from the bank is not significant in terms of customer throughput. And, he points out that in contrast to the stand-alone machine procedure, the customer does not have to wait in two lines—one at the ATM and one at the cash register.

Carl Karcher Enterprises, with 436 restaurants, is seriously looking at expanding the concept, possibly chainwide. "We are satisfied that there is a customer convenience and hopefully a competitive advantage," says Altman. Last month, Carl Karcher's started another test in the Sacramento market, using the ARCO Pay Point system.

Altman says it is hard to tell if the debit card option is adding to sales increases in units where the test is going on. Altman says that there are too many variables to tell for sure. In addition to the alternative method of payment, the company has been developing new advertising and new menu items and remodeling units.

Who pays for the debit system?

As with any new technology, there is a cost. Overall, there is the cost of the equipment itself, the cost of each transaction being processed and the cost of advertising the new system to customers. In the testing stages there have been allowances.

In the Dayton experiment, for example, the goal was to identify the potential of the services under optimum conditions. In order both to find the best way to get customers to use the system and to find out how many customers will use it, all of the participants—bankers, merchants and equipment vendors—absorbed some of the costs. For the initial experiment, the Money Station network of bankers contributed between $300,000 and $400,000 for basic marketing research, advertising the program and processing charges for the transactions. Merchants contributed the communication equipment, terminals, some advertising and also promotion of the service. Wendy's, for example, gave out free Cokes or fries to random customers that used the service. And finally, vendors provided very attractive prices on the terminal equipment and even allowed merchants to rent the equipment to offset the costs.

With so little experience to date, however, no one is sure what the final costs for such services may be. Commenting on the future costs of using debit machines, Petrarca speculates that "consumers will pay for the service, eventually." Petrarca sees the free market activity as the eventual cost determination: "Some banks and merchants will charge for the service; some will not," he says.

Credit cards—another option

Some fast food companies are investigating the use of credit cards. Arby's Incorporated, based in Atlanta, Georgia, began testing a credit card system at its Tulane University location in New Orleans in June of this year. At the unit, students present their Visas or MasterCards, and Arby's employees enter the cardholder numbers and wait for approval.

Ira A. Hermann, senior vice president and chief operating officer of Arby's Incorporated, explains that after five months of testing, Arby's is pleased with the results and is not only continuing the Tulane experiment, but is also planning to expand the pilot into the Cleveland, Ohio, market in early 1988.

This test will be a joint venture with the Chemical Bank Visa and MasterCard, using a magnetic strip card reader, rather than manually entering the cardholder number into the system.

Chemical Bank will provide the card readers, which, according to Hermann, is the only new equipment required because Arby's management information systems staff created interfaces with the cash registers and card readers. Arby's will pay a fee to the credit card company based on a percentage of sales.

According to Hermann, the reason Arby's chose the credit card system over the debit card system was the greater potential for usage. "We thought the debit card system would be limiting," says Hermann, "because not everyone has a debit card."

In sum

With a number of large fast food operators seriously considering the use of debit cards and/or credit cards for food transactions, fast food may be entering a cashless era. ❑

A company credit card

Independents can also cater to their customers who don't carry cash. That's what Lettuce Entertain You Enterprises, Inc. of Chicago has done by introducing its own credit card, which can be used at any of the corporation's 30 restaurants. Why has the company taken this step? It hopes it will help recruit and maintain regular customers.

The First National Bank of Lincolnshire in Chicago is backing the card. The bank will determine who qualifies for a card and what the limit will be. The bank will also keep all money made from interest.

"It is really important that everyone understand that the bank is handling all the financial aspects. Basically, the only benefit to us is that it allows us to identify our regular customers," says Dawn Reithel, Lettuce Entertain You's director of marketing. "The people who are going to really benefit are our customers."

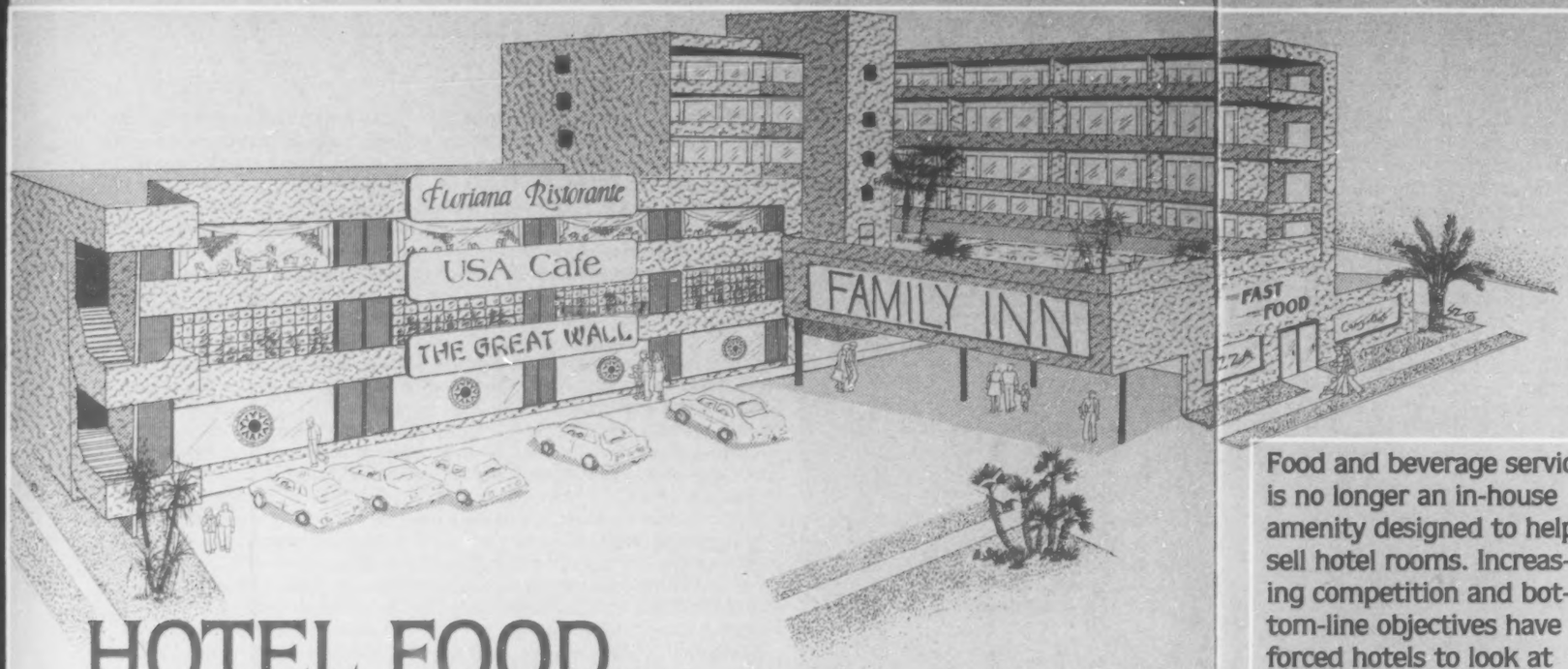
Customers qualifying for the card can charge all meals, drinks and tips. Also, every cardholder will be notified by mail of special events and promotions at all Lettuce Entertain You restaurants.

"It operates exactly like a retail store's card," explains Reithel. There is no annual fee, but there is an 18 percent interest rate. However, interest is not charged if the balance is paid on time.

Reithel estimates that there are currently about 5,000 cardholders. The corporation's goal is to increase that number to 15,000 or 20,000.

Reithel says that Lettuce Entertain You will continue to accept other credit cards at all its locations except the five Ed Debevic's, which have never accepted credit cards.

—Tom McKeon



HOTEL FOOD

A bigger part of the marketing plan

Food and beverage service is no longer an in-house amenity designed to help sell hotel rooms. Increasing competition and bottom-line objectives have forced hotels to look at their food and beverage departments as profit centers.

by Marcia Hibsch Coppess

"Hotels have stopped talking about their restaurants as loss leaders," says Trudy O'Reilly, president of O'Reilly Advertising, a Dallas agency specializing in hospitality and tourism. "They now believe that if freestanding restaurants can make a profit at food and beverages, they can, too."

Thus, hotel food and beverage directors have expanded and upgraded services. Many hotels are offering 24-hour service, menus in several languages and more distinctive foods and elegant presentations developed by a new crop of award-winning chefs. These chefs are being hired with increased frequency, and they are doing much to boost the image of hotel food.

Marcia Hibsch Coppess is a freelance writer in Arcadia, California.

Growing emphasis on marketing

Radisson Hotels is the first hotel chain to appoint a corporate director of food and beverage marketing. John Ostrob's responsibility is to create ways to improve profits within the chain's food and beverage services.

"Normally, the marketing department of a hotel emphasizes selling rooms," Ostrob explains. "Way down the list of priorities is F & B. Even then, it has traditionally been treated as a means to sell a room. But we're in this business to make money, and there is no reason that the food and beverage department of Radisson shouldn't be profitable."

The majority of hotels have jumped toward the trend of marketing food and beverages. One director at Hilton Hotels Corporation said, "The emphasis used to be room sales; now it's all marketing."

Factors behind the trend

Industry experts and restaurant food and beverage directors hold a variety of views on the causes behind the trend. But accountability, belt-tightening and a more sophisticated consumer emerge as the incentives behind most changes. A number of trends stand out:

□ **New tax laws** have hurt the "tax babies" built to take advantage of investment tax credits in the early 1980s by investors who could benefit from a write-off. Where investors had been able to deduct as much as 25 percent of their hotel building or renovation projects, they now are responsible for those expenses.

□ **Increased competition**. In addition, many cities have failed to catch up with optimistic growth or convention business projections, resulting in a room glut. Some hotels maintain occupancy rates below 60 percent. Naturally, investors are pressuring management to show a profit any way they can.

Since investors won't accept losses, hotel management must charge rates ranging from $80 to $120 per day to make profit goals. With lower rates removed as a means of competing with one another for customers, the goal has become having more value for the same room rate. A war is being waged among large hotels competing for the shrinking base of regular travelers.

At DoubleTree Hotels, first-night guests receive freshly baked chocolate chip cookies upon check-in. (Milk is available.) Sister corporation Compri offers make-your-own peanut butter and jelly sandwiches in the lobby lounge every night. Several hotels offer a complimentary newspaper and hot coffee at the guest's door in the morning.

The consumer has quickly become spoiled. Extras that were special only a few years ago—chocolates on the pillow or fresh-squeezed orange juice from room service—are expected. If a hotel wants the business, it must do that and more.

At the Aristocrat in Dallas, the restaurant staff cooperates with customers to create a special-occasion menu using the host's own recipes. During the holiday season at Four Seasons Hotel in Newport Beach, California, guests will enjoy complimentary gift wrapping while they lunch. And when they arrive at the Ritz-Carlton in Laguna Beach, California, they will be presented with a "Nutcracker Sweet" basket filled with international holiday confections.

Downstairs, classic French cuisine has given way to regional American, heart-healthy, low-calorie or ethnic foods, prepared by award-winning chefs and served on white linen and fine china. Sometimes the restaurant space is turned over to a restaurateur who has developed a well-known reputation. The Old Original Bookbinder's, the internationally renowned landmark restaurant in Philadelphia, will break its 122-year tradition when it opens next year in the Taj Mahal, the casino-hotel in Atlantic City being built by Resorts International, Inc. Not only will the hotel restaurant duplicate the menu items from the Philadelphia establishment, it will also incorporate much of its decor, including live salt water fish tanks displaying several types of sharks.

□ **All-suite hotels** are luring the middle market frequent business traveler—the bread and butter of mid-priced hotels—away from traditional hotels with conference rooms, large dining halls and other amenities. All-inclusive rate packages that feature breakfast, afternoon snacks and evening drinks and hors d'oeuvres as well as work desks and reading rooms.

At Compri, designers have dispensed with the atrium lobby. Instead, the "Compri Club" features about 5,000 square feet of work and relaxation space. In the morning, guests select from a handful of hot entrees or cereals, muffins and Danish. Fruit, juice and other beverages are provided. In the evening, cocktails are served. All foodservice is included in the room rate, which ranges from about $60 to $90 per day—and the hotel maintains a no-tipping policy.

Hilton is developing CrestHil, a moderate-priced ($48 to $68 per day) all-suite chain to be located near business centers, hospitals and universities. The hotels will have limited foodservice with a buffet three times a day, but will offer a pool, jacuzzi, exercise room and lobby lounge with a big fireplace and visiting area. The corporation hopes to attract families on vacation and traveling salespeople with the homey touches it plans.

□ **Increasingly sophisticated travelers** demand more from hotel food and beverage service and will go elsewhere if the hotel cannot provide it. The proliferation of fine dining establishments in major American cities has created fierce competition for a dwindling supply of expense-account entertainers and special-occasion diners. That is why many hotel restaurants aspire to set trends. Among the latest innovators is New York's Hotel Maxim de Paris, which is scheduled to open this month with a distinctly Mediterranean style of cooking called "Cuisine Mediterranean."

Hotels have an advantage over freestanding restaurants in that they have a captive audience. During an average three-day stay, most hotel patrons will eat at the hotel two or three times. If the patron is a businessperson with clients to entertain, he or she often finds it most convenient to arrange a dinner in the hotel restaurant's fine dining room.

Yet, like most businesses that cater to tourism, hotel restaurants suffer during seasonal slowdowns. To combat low-profit months in the new bottom-line atmosphere, they are enticing a loyal base of local customers. And, not content to offer their expertise only to those seeking a fine dining experience, they are launching pizza restaurants, tapas bars, theme restaurants and other medium-priced facilities.

□ **America's love affair with fitness** is not lost on hoteliers. Today's overworked and underrested traveler may prefer a bran muffin over a Bloody Mary. The hotel that can offer a healthy alternative and more will win the business.

"Fresh, creative, tasty and well-presented food is today's trend, and we are catering to that market," says Peter Kleiser, senior vice president of food and beverage for Hilton Hotels Corporation. "We try to stay away from the fads that change every three months, but we are listening to the consumer."

Hilton Hotels sponsors an olympic "training table" menu at restaurants in downtown properties to coincide with its sponsorship of the 1988 U.S. Olympic Team. The new minimenu, which supplements Hilton's food and beverage offerings, offers seven items: two appetizers, three entrees and two desserts that average about 400 calories each. Salmon fillets, stirfried beef or shrimp and breast of chicken are complemented by angel hair pasta with prosciutto and shiitake mushrooms, a shrimp salad, strawberry shortcake and a root beer float.

At Four Seasons Hotels, Alternative Cuisine items on the menus are designed with lower calories, sodium and cholesterol, and they include such items as broiled salmon in a cranberry vinegar sauce and *pot au feu* of red snapper and saffron.

DoubleTree has collaborated with the California Prune Board to create a high-fiber sampler. The breakfast includes fresh-squeezed orange juice, a hot prune bran muffin, fresh fruit, dried apricots, prunes and walnuts.

□ **Convenience and speed** are preferred over luxury at mid-priced hotels. Hotel minibars and in-room refrigerators have sprung up in Holiday Inns, some Hyatt hotels and other properties across the country. The items offered include peanuts, packaged cookies, crackers and cheese and alcoholic and non-alcoholic beverages. Hotels have discovered that when hotel patrons are hungry at 2 a.m., they would rather grab a quick snack than wait 30 minutes for a full meal from room service.

Some hotels are offering video breakfasts. At the Sheraton Park Central in Dallas and nearly 200 other hotels, guests can review menu selections by video the night before and place their orders by following directions on the screen.

Other hotels offer to prepare breakfast within a set time. If the meal is not on the table in the promised minutes, the hotel pays.

Marketing restaurants with design

Fine dining's return to hotels has sparked a renewed interest in fine decor.

by John McCloud

Kuleto's

There's a lot going on at Kuleto's in San Francisco's Villa Florence Hotel. Kuleto's main door opens right onto busy Powell Street only two blocks from the cable car turnaround. This enormously popular restaurant, with its tiled floor, wooden booths and a gigantic 19th-century mahogany bar, presents a continuous flow of activity as customers and staff move along its narrow galleys. What at first appears to be a vast mirrored wall turns out to be a glass partition looking into an adjoining seating area. Kuleto's has an open cooking area which serves a social as well as a decorative function. A counter at the grill offers a comfortable alternative for the solitary diner who might feel awkward or bored at a table-for-one.

Named for its designer, Patrick Kuleto, the 120-seat restaurant is intended more for locals than for hotel guests. "Except for breakfast, we don't depend on guests to make the restaurant go," explains John LaTour, president of the Kimco Group, which owns the Villa Florence as well as four other small San Francisco hotels. "Our hotel is too small (177 rooms) for that, but even if we had 1,000 rooms, we would need to develop a regular clientele in order to survive in San Francisco. There are so many excellent restaurants here that no one has to eat in their hotel if they don't want to. And they want to sample the city's cuisine, not stick to one place."

Yet if Kimco does not rely on the Villa Florence for customers at Kuleto's, to some extent it does depend on the restaurant to generate business for the hotel. "The restaurant is part of our marketing strategy. We try to make a statement on the block to differentiate ourselves from the surrounding businesses. If customers are indifferent to the restaurant's design and atmosphere, they are not going to think much about staying at the hotel. But if they find the setting appealing, they assume that the rooms will be also."

A sense of history

The management at the Heathman Hotel, a restored 1927 structure in Portland, Oregon, listed on the National Register of Historic Places, also uses the restaurant to market the hotel. Like Kuleto's, the Heathman Restaurant has its main entrance directly on the street. The entrance, in fact, is nearly as grand as that of the hotel itself. Explains general manager Mary Arnstad, "Our reputation is based on food. This is our public base. A lot of people know us from our restaurant and have never been upstairs."

A member of Small Luxury Hotels, a national network of independently owned establishments, the Heathman gave a lot of attention to the restaurant's design from the outset. "We wanted the restaurant to make a statement of quality that everyone could see," says Arnstad.

In addition to opting for a street profile that would be highly visible to passersby, especially patrons of the Arlene Schnitzer Concert Hall next door, the design team decided on an understated, timeless look, using red marble, natural woods and leathers, and beige carpeting. "It's not trendy—we wanted something that says this is here to stay. And we

Many hotels have taken additional steps to cater to the convenience needs of their guests. Heinz Grub, food and beverage director of the Capitol Hilton in Washington, DC, for example, is preparing a catalog of items designed to ease the away-from-home entertaining obligations of the harried businesspeople his hotel serves.

"We will offer a variety of foods, from sushi and sashimi to Virginia ham, as well as floral arrangements and every other detail a business-person needs to entertain in his or her suite or private dining room," Grub explains.

□ **Delivery services** are not timid about delivering pizza, chicken and other foods to hotel rooms. It takes only a peek into a hotel room trash can filled with fast food sacks to know that room service is not always reaching its intended audience.

Ostrob comments wryly, "When you walk down a hotel hallway at 1 a.m. and see all the Domino's Pizza boxes outside the doors, it doesn't take a brain surgeon to figure out that you are giving away potential profits."

To fight the pizza chains pepperoni for pepperoni, Radisson not only began offering hot pizza through room service, but it also placed room service pizza menus in the yellow pages of every phone book in every room, offering to deliver hot pizza in 29 minutes. (Domino's promises the same in 30 minutes.)

Hotels are dipping their toes into more than home pizza delivery. At the Park Hyatt Hotel in Chicago, the staff will prepare "Tea To Go" for two to 50 people and deliver it to offices, homes or other locations. The tea service includes a selection of fine teas, pastries and sandwiches with cloth napkins and china cups.

Not forgetting travelers

Yet, despite these trends and the new emphasis on marketing, hotel restaurants continue to be a service to the hotel's patrons. Even with the surge toward local customers, they cannot leave the traveler behind. "You can never completely detach yourself from the hotel," says one industry observer. Happily, most hoteliers don't make this mistake. ❑

wanted it to look like it's always been here to give people a sense of the hotel's history," explains Arnstad.

The Heathman, too, has an exhibition kitchen, but in order to bring attention back to the food itself rather than the preparation, a wood and etched-glass partition was installed to provide more separation. "Guests either love it," notes Arnstad, "or they think it looks like a cafeteria."

With a menu that leans heavily toward local products, freshly grown and in season, the Heathman has proved to be extremely popular with Portlanders and visitors alike. "We wanted the whole focus to be on food, so we tried for a look that supports that experience, that doesn't call attention to itself. In that sense, it's very Oregonian, very modest. At the same time, it's very elegant. It feels worldly, the way a hotel should. You can pretend you're in New York or San Francisco," says Arnstad.

Another sign of the Heathman's worldliness lies in its extensive collection of contemporary art. Although the hotel's halls and public rooms display a variety of artists, many of them from the Pacific Northwest, the restaurant features Andy Warhol's "Endangered Species" seriographs. "With the Performing Arts Center next door and the art museum two blocks away, our art collection is a way of tying in to our neighborhood," Arnstad explains.

A symbol of style

At West Hollywood's Bel Age Hotel, also a member of Small Luxury Hotels, art provides an even stronger framework. Owner Severyn Ashkenazy, who reigns over seven Los Angeles-area establishments known as L'Ermitage Hotels, uses both his hotels and their restaurants to display his family's impressive collection of international art. Works by Chagall, Miro, Utrillo, Rauschenberg and other prominent artists line the walls throughout.

The Bel Age has two restaurants, the more casual La Brasserie and the formal Bel Age Restaurant. With two restaurants to play off, Ashkenazy has been able to cater to two different trends. La Brasserie, in restful seafoam green and salmon hues, adheres to a simple (but clearly expensive) design. Its primary feature is a panoramic view afforded by the hotel's placement at the base of the Hollywood hills. By contrast, the Bel Age, with its more ornate furnishings, handwoven tapestries and romantic lighting, sits totally encapsulated—a world unto itself.

Although La Brasserie and the Bel Age no doubt do contribute to the hotel's marketing effort, according to Ashkenazy this is not their primary purpose. "We are offering a great hotel in the classic tradition, and our guests expect us to have a great restaurant. A great restaurant is the symbol of a great hotel," he says.

"A little squirt of lemon"

When Sarah Lee first began to work on the Willard Hotel in Washington, DC, her first thought was to develop a sense of coherence, particularly because she was working with a structure of great historic value. But by the time the project was complete, she had changed her outlook a bit.

"There was an Italian in charge of the project," she relates, "and he insisted on putting in this very up-to-date Italian street cafe on the ground floor, something I felt was totally at odds with the Willard's character. But you know, now that it's done, I like it. It's like a little squirt of lemon. It really makes you appreciate the rest of it."

Even large hotel chains, once paragons of conformity, now give attention to individualized design. Perhaps the most significant shift within the large chains has been the decision to design a restaurant to fit the location rather than plunking the same design into every branch.

A place to show off food

Summing up the entire field of hotel restaurant design, Lee claims, "Five years ago, you never would have thought of going to a hotel for a fine meal. That's certainly not true any longer. And if you've got fine food, there's no point in not having some place attractive to show it off."

John McCloud is a freelance writer in Berkeley, California.

HOME
DELIVERY
Delivery services for groups of independent tableservice restaurants are springing up in metropolitan areas all over the country.

No longer synonymous with pizza and Chinese food, home delivery is now embraced by most segments of the industry. Even upscale restaurants are getting a slice of this business, thanks to delivery services that act as brokers for as few as five and as many as 43 restaurants in many parts of the United States.

Restaurant Express, which opened in February 1987 in Newport Beach, California, with six waiters/drivers, now employs 50. Tuxedoed waiters appear in offices and at doorsteps carrying such dinners as *spinach fusilli with bay shrimp and pesto cream, chicken and leek soup, filet mignon topped with crablegs, asparagus and sauce Bearnaise, and baked apple pastry with Devonshire cream.* They perform all the functions of servers in an upscale restaurant—upon request—presenting the food, pouring the wine and even showing the desserts. According to Restaurant Express Vice President Peter Hetherington, who estimates that the company has delivered 25,000 meals since opening, "Customers are excited about the service and the 'show biz' involved."

In addition to Restaurant Express, there is EatOutIn in Austin, Texas; Dine Out In in Houston; Order In and Takeout Taxi in the Washington, DC, area; Room Service, which is test marketing in Chicago; another delivery service in the talking stage in San Francisco; and no doubt others in other cities.

Operators welcome delivery opportunity

Restaurateurs, who longed for a piece of the delivery action and the profits it offers, welcome the advent of the delivery service. It enables them to escape the substantial startup costs for delivery trucks, personnel and marketing and, more importantly, to relieve the strain that operating an on-site delivery system might pose for their restaurants.

Dean Carson of Carson's the Place for Ribs oversees the operation of the company's five restaurants in the metropolitan Chicago area. Carson, who is seriously considering signing up with Room Service in Chicago, says, "I don't want to get into the delivery business. Someone in the restaurant business should be in the restaurant business."

Carson's downtown operation currently handles 3,500 carryouts a week, and he thinks that home delivery holds opportunity and a new market for his product. "I think there is a market out there for my product," Carson maintains. "Ribs carry well. They travel much better than pizza. And there is a definite resurgence in the number of people living in downtown Chicago. Someone who wants delivery is going to pay for it. I am going to get the customer who doesn't care about the price, as opposed to my carryout customer."

Mo Sussman, co-owner with Tong Jill of Joe and Mo's in the Washington, DC, area, is a member of Order In. Sussman explains why he joined the service: "One of our concerns was how the food would transfer. Would it be served hot? But they have containers which keep the product the way it is supposed to be. The way I saw it, the delivery service had no downside, so I decided to give it a shot."

But Sussman, who hopes to generate an additional $50,000 worth of business this year through his affiliation with Order In, cautions other operators to be mindful of coordina-

Dorothy Dee is a freelance writer in Bethesda, Maryland.

Hotel delivery begins with bowl of tortilla soup

Even reluctant hotels, like the Mansion on Turtle Creek in Dallas, offer their elegant menus, complete with waiter and limo, to steady patrons.

It all started three or four years ago when someone went into the hospital and needed a bowl of tortilla soup, recalls Bill Shoaf, food and beverage director at the Mansion on Turtle Creek, an elegant hotel and 140-seat restaurant in Dallas.

"We backed into it (home delivery)," Bill Shoaf says. "It was not something we planned on doing, but the Mansion has a policy of not saying 'no' to our guests. We feel that if our regular clients have a special need, it is important for us to take care of it."

The Mansion, which specializes in Southwestern cuisine, runs its delivery service out of room service. Callers can have whatever is on the room service menu. Although lunch orders can be hectic, orders are not generally spur of the moment. The hotel might have as long as three hours to prepare and deliver the food. When it's time to deliver though, it is definitely in Mansion style. A waiter dressed in black pants, white jacket and bow tie delivers the food, sometimes arriving in one of the hotel's three limousines. There is a cover charge of $2.50 per person, but no delivery charge. Deliveries are normally no more than one-half to one mile away, but the Mansion has served meals as far as seven miles.

Customers are usually professionals who want dinner delivered to their homes or a lunch delivered to their offices. The growth area, according to Shoaf, is lunches delivered to professional offices like the one located across the street from the hotel.

Shoaf says, "Our biggest worry is that we don't want to compromise the quality of our reputation and food." To overcome this, the staff member taking the order questions callers about their kitchen facilities, often suggesting cold items or soup, which can be reheated without deterioration.

"We don't advertise our delivery service," Shoaf admits. "It is not something we are in the business of doing. We do it more as a service. But it has great potential, and we might actually start considering it more extensively if interest continues."

tion within the restaurant. "In order for this to work, you have to have a chain of command in your organization to make it run smoothly. The optimum would be to have one person take the order, put it in the kitchen and package it." Currently Sussman's bartender takes the order from Order In and punches the selections into a machine that automatically transfers it to the kitchen.

No typical customer

Jackie Davies, co-owner of EatOutIn, possibly the forerunner of other delivery services, initially hoped to tap the yuppie market, but found to her surprise that all sorts of people patronized the service. In addition to hungry diners too tired to cook, companies used the service as an incentive for employees working overtime, doctors sent a meal to hospital-bound couples after the birth of a child and real estate agents sent dinners-for-two to couples after purchasing a new home.

"We thought we would be trying to tap the yuppie market—two-income households with a lot of disposable income but little time," Davies says, "but we found that the elderly, the handicapped, mothers and even kids in college used the service much more than we thought they would or could. In fact, one local computer company made a deal with its employees: If they work a certain number of hours on a weekend or week night, they can call EatOutIn."

The success equation

Part of the key to the delivery services' success is responding to the consumer's appetite for variety. Services successfully penetrate the market by enlisting the most popular restaurants, featuring many cuisines and being sure that the restaurants are close to the dispatch center.

Order In, in business since July 1987, now delivers 250 to 300 meals a week and hopes to gross $750,000 in sales its first year. When asked how he selected the original restaurants, president Bronson Dorsey, a former marketing and business consultant, admits that personal preference was a key factor. "It was a matter of going to a lot of restaurants, trying the food and looking at how the restaurants were rated by the *Washington Post* and *Washingtonian Magazine*. We wanted a wide spectrum of restaurants that would appeal to any taste and then, in the end, it got down to personal preference."

Davies of EatOutIn took a more pragmatic approach. "We thought if we could start out with the most popular restaurants, there wouldn't be any resistance to the food. We also thought that by going with the best restaurants, they would have good management. To do it right, it takes a lot of coordination between the restaurant and EatOutIn."

Another key ingredient in the success formula is delivering the product in the promised amount of time—anywhere from 30 to 90 minutes. Tom Feltenstein, president of American Restaurant Marketing Group, Inc., in West Palm Beach, Florida, cautions, "Restaurants are no longer the only game in town. The whole food market is convenience-driven, and the operators who neglect that fact will be left behind as on-premises traffic stalls." Feltenstein maintains that successful operators will offer time value as well as price value.

With time a premium, delivery services must be careful to select restaurants near their central dispatch. In order to deliver meals in the 30 to 45 minute time frame designated, EatOutIn was forced to drop some restaurants when it changed its original location. Davies explains: "We changed our location after the first year and had to change a few of our restaurants. Our restaurants need to be near the central dispatch."

Not to be forgotten in the success of upscale delivery services is style—that unique quality that has always attracted discerning customers to upscale restaurants. "Customers are very excited about having very elegant food delivered to their home," says Hetherington of Restaurant Express. "One of our customers told us recently that she put her stove in mothballs." ❑

How the delivery service works

The idea behind delivery services for independent restaurants is simple, the logistics anything but. Customers call a service's telephone number, which comes into a dispatch center manned by a couple of telephone operators. These operators take the order, call it into the restaurant and dispatch a group of drivers who pick up the food and deliver it to the customer.

If the restaurant is automated, the telephone operator might pull up the restaurant's menu on the computer screen and punch the caller's selections into the machine which automatically transmits it to the restaurant. If the restaurant is not automated, the operator copies down the order manually, places it in a queue with earlier orders and, in turn, calls the order into the restaurant.

The restaurant designs its own back-of-the-house method of accepting the order and processing it through the kitchen. If hot, the order might be placed in an insulated carrier or a hot packet and transferred to a warmer in a truck or car. If cold, it might be placed in a styrofoam package with an ice packet.

More often than not, callers identify their selections before calling. Menu booklets containing the member restaurant menus are usually mailed to area residents beforehand. Often, they feature the same or a tailored version of the establishment's menu at similar or slightly higher prices.

Customers place at least a designated minimum order and are charged either a flat delivery fee or a percentage of the check, usually 15 or 20 percent. Most delivery services charge the restaurant a percentage of the gross sales for the use of the service and such benefits as direct mail advertising. But other financial arrangements are possible. Order In makes its money by pocketing the difference between the menu prices the customer pays and the discounted rates it is charged by member restaurants.

1988 NATIONAL RESTAURANT ASSOCIATION FOODSERVICE FORECAST

1988 forecast highlights

The industry is heading for its eighth consecutive year of real growth.

□ **Foodservice industry sales** are projected to reach $213.5 billion in 1988—up 7.1 percent over 1987.

□ **Real sales**, adjusted for inflation, should rise 2.9 percent—a slight improvement over 1987's 2.7 percent real increase.

□ The **Commercial Foodservice Group** will post sales of $189.3 billion in 1988—an increase of 7.5 percent over 1987. Adjusted for inflation, this represents a real gain of 3.3 percent.

□ Sales for the **Institutional Foodservice Group** are expected to rise by 3.9 percent in 1988, but they will not change in inflation-adjusted dollars.

□ **Eating place sales**, which account for nearly 65 percent of total industry sales, are forecast to reach $138.2 billion—a 3.3 percent real increase over 1987.

□ **Fast food restaurants** in 1988 will continue to outpace the industry average for real growth, posting a healthy 4.3 percent increase over 1987. Total limited menu restaurant sales are forecast to reach $60.4 billion.

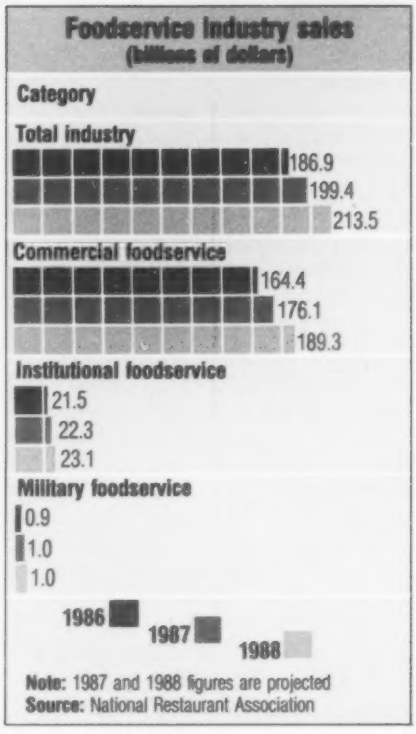
□ **Retail host restaurants** are predicted to show the largest real sales increase in the industry—7.8 percent.

□ For the fourth straight year, real growth for **transportation foodservice sales** is projected to be above the industry average—up 6.7 percent.

□ **Menu prices** are forecast to advance 4.2 percent in 1988, up slightly from the 4.0 percent increase in 1987.

The information in this report was prepared in consultation with the research firm Malcolm M. Knapp, Inc. The sales forecast was made in late September 1987.

Overview: The industry in 1988



The foodservice industry is primed for its eighth consecutive year of real sales growth. Total industry sales in 1988 are expected to reach $213.5 billion—an increase of 7.1 percent from the $199.4 billion recorded in 1987. Real sales, after adjusting for inflation, are projected to advance 2.9 percent in 1988, virtually equal to the expected 2.8 percent increase in the Gross National Product (GNP).

Next year, industry sales will be up by $14.2 billion. The absolute size of this increase is enormous—roughly equivalent to adding over 200 restaurant chains, each with sales between $25 and $99 million to the industry in a single year. Nevertheless, the 7.1 percent growth in 1988 doesn't match the extraordinary percentage gains of the 1970s because the foodservice industry is in a more mature phase today. Now it is appropriate to compare percentage growth in foodservice to what is happening in other retail and service industries rather than to larger gains made by foodservice in earlier years.

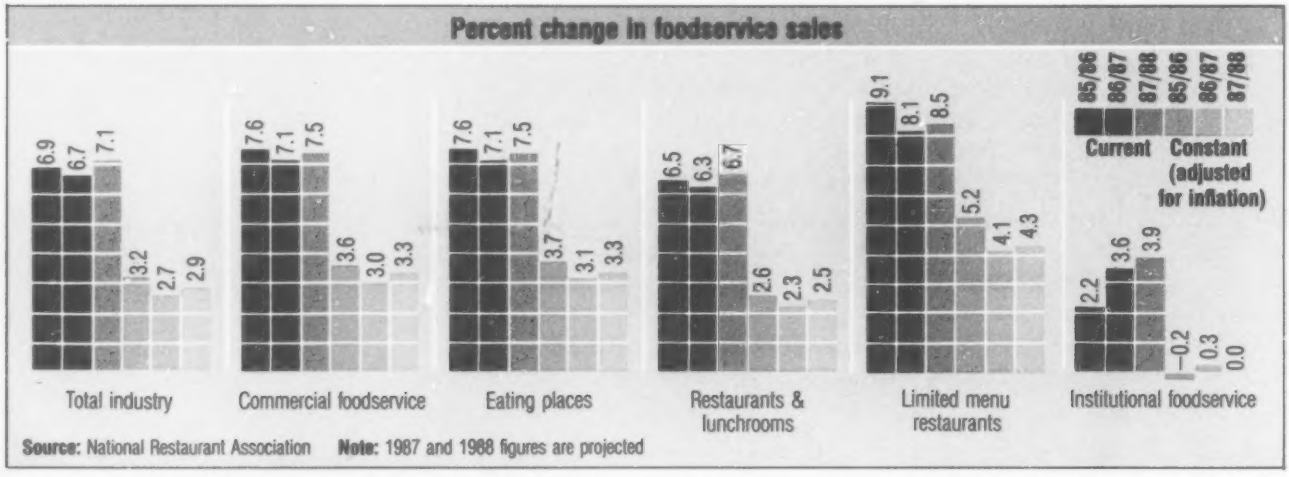
Foodservice is in a favorable position, compared to many other domestic industries, a position it shares with others in the service sector of the economy. The foodservice industry has an advantage in that it does not have to share its growth with foreign competition. In fact, the industry is an active developer of business overseas.

Food and drink sales in the Commercial Foodservice Group are projected to show the most substantial gains in the industry in 1988, advancing a hefty 7.5 percent to $189.3 billion and accounting for 88.7 percent of total foodservice sales. In comparison, sales for this sector climbed at a slightly lower 7.1 percent rate in 1987. In inflation-adjusted dollars, sales for the Commercial Foodservice Group are expected to rise 3.3 percent in 1988.

The Institutional Foodservice Group is forecast to post sales of $23.1 billion in 1988, up a modest 3.9 percent from sales of $22.3 billion in 1987. In real terms, this translates into no growth, compared to the slight 0.3 percent advance recorded in 1987. This reflects the continued success of contractors who are capturing a larger share of the institutional market.

Military Foodservice Group sales in 1988 are expected to climb to $1.0 billion, a 6.4 percent increase over 1987. This increase is somewhat larger than the 5.8 percent gain posted for 1987. After adjusting for inflation, real sales are expected to advance 2.2 percent in 1988, up from the 1.8 percent in 1987.

In sum, the 1988 forecast is for continued growth with considerable opportunities for individual firms and their suppliers.



The economy

Economic factors play an ongoing role in determining the performance of the foodservice industry. Because business conditions within the industry reflect general economic conditions, it is important to understand how the economy has performed this year and to examine expectations for 1988.

1987 economic highlights

In 1987 the United States economy continued to expand, but it did not quite maintain the rate of growth recorded in 1986. After adjusting for inflation, the Gross National Product (GNP) advanced 2.6 percent in 1987, compared to the 2.9 percent real growth recorded in 1986.

Inflation heated up slightly in 1987, due primarily to higher energy costs.

The Consumer Price Index (CPI) advanced 3.8 percent in 1987 versus a very modest 1.9 percent increase for 1986. The nation's civilian unemployment rate dropped to 6.2 percent in 1987 as the number employed continued to grow.

Real disposable personal income posted a modest gain of 1.4 percent in 1987, compared to a substantially higher 4.0 percent advance recorded in 1986. Consumers continued to increase their purchases of both durable and nondurable items in 1987 but at a slower pace. Real consumer expenditures for durables advanced 0.8 percent in 1987, and real nondurable spending increased by 0.5 percent.

Consumers' saving rates continued their decline in 1987, dropping to 3.6 percent of personal disposable income. By comparison, consumers saved 4.3 percent of their disposable personal income in 1986. The annual savings rate for consumers has declined steadily since 1981. In addition, consumer installment debt reached record levels in 1987, nearing the $600 billion mark.

Continued spending by consumers, combined with a gain of 2.8 million in civilian employment, sparked the nation's economic growth in 1987.

Economic expansion to continue in 1988

The economy should expand at a moderate pace in 1988, according to *Blue Chip Economic Indicators* (October 1987). This consensus forecast for key economic variables by 51 top economists predicts that real GNP gains will be somewhat higher in 1988 than in 1987—2.8 percent compared to 2.6 percent. Continued GNP growth in 1988 is expected to make this period of peacetime economic expansion the longest in post-World War II American history. This is good news for the restaurant industry because a high correlation exists between changes in real GNP and changes in real industry sales. Changes in real disposable personal income are also closely related to changes in restaurant sales. Real disposable personal income is forecast to advance 2.7 percent in 1988—up from a 1.4 percent increase in 1987.

The inflation rate is expected to be higher in 1988 than in 1987. The Consumer Price Index (CPI) is forecast to advance 4.6 percent in 1988 compared to a lower 3.8 percent in 1987. Higher prices for imports are expected to boost the inflation rate.

The nation's civilian unemployment rate is expected to continue its decline in 1988, reaching an annual rate of 6.0 percent, the lowest since 1979. Increases in industrial production, forecast to expand 3.8 percent in 1988—up from 3.2 percent in 1987—should help stimulate employment.

The outlook for travel and tourism in 1988 remains bright. Both domestic and international markets are expected to prosper. According to the U.S. Travel and Tourism Administration, the nation anticipates 24 million international visits in 1988—up 4 percent over 1987. In addition, domestic travel and spending levels are expected to reach new highs.

A word of caution is necessary, however. The record United States government budget deficit and the continuing international trade imbalance are causing volatility in both domestic and international financial markets. As a result, consumer spending could be dampened in 1988. Nevertheless, the economy is expected to deal with these issues and continue the longest peacetime expansion of the post-World War II period.

Consumer savings and confidence

The cash which consumers have on hand has always been an important variable in determining overall restaurant sales. Consumer spending habits are related to their perceptions of their own financial security. In 1987, consumer confidence reached an all-time high, but personal savings reached an all-time low. What is happening?

A dramatic increase in savings and financing alternatives has offered options to the average consumer which were not envisioned just a few years ago. The emergence of home equity loans has allowed consumers to tap the wealth which they have accumulated in their residences, and a variety of savings alternatives, such as personal Individual Retirement Accounts (IRAs) and employer sponsored savings plans, such as the 401K, have altered savings patterns.

The Conference Board's Consumer Confidence Index, which measures consumer optimism about economic conditions, advanced significantly in the first nine months of 1987. From January through September 1987, consumer confidence jumped more than 34 percent. This increase in consumer optimism is in

What's in store for the economy in 1988?

- ☐ **More growth**
  Real GNP up 2.8%
- ☐ **Somewhat higher inflation**
  CPI advancing 4.6%
- ☐ **Increases in disposal income**
  Real disposable personal income will grow 2.7%
- ☐ **Higher interest rates**
  The prime rate at 8.9%
- ☐ **Lower unemployment**
  Civilian unemployment rate at 6.0%

Source: *Blue Chip Economic Forecast*

The number of employed civilians has continued to grow

Year	Civilian employment (000)	Civilian unemployment rate
1984	105,005	7.5%
1985	107,150	7.2
1986	109,597	7.0
1987*	112,400	6.2

*projected

Source: Department of Labor, Bureau of Labor Statistics; *Blue Chip Economic Forecast*

large part attributable to the improved national employment situation. In addition, lower inflation rates, combined with other favorable economic conditions, have acted to buoy consumer attitudes.

The stock market plunge and gyrations in the autumn of 1987 could dampen consumer optimism regarding the national economy. Since the link between Wall Street markets and consumers' own financial positions is unclear to many individuals, consumer confidence could become more volatile. Consumers whose income is directly tied to the stock market, such as older people living on their investments, may display a less positive attitude. But a sense of confidence for most consumers is probably more closely linked to their own prospects for employment than it is to the stock market.

Legislative and regulatory issues

A wide variety of legislative and regulatory issues, which have a direct effect on foodservice, will be up for consideration in 1988. Although these issues affect almost every aspect of industry operations, those of greatest concern are labor related. Both payroll and employee benefits will be affected by proposals concerning:

- minimum wage and tip credit
- mandated health benefits
- parental leave benefits
- plant-closing notification rules
- occupational disease notification rules and
- FICA coverage on tips.

Three of these issues, minimum wage, parental leave benefits and mandated health benefits, may also be active at the state level. Currently, 10 states and the District of Columbia have enacted legislation requiring a minimum wage that is higher than the federal miminum of $3.35. In addition, California, Pennsylvania and Wisconsin are considering similar increases.

Issues concerning the safety of the food supply will undoubtedly be felt in both the legislative and regulatory arenas. Concerns over pesticides, foodborne bacteria, food additives, chemicals and antibiotic residues in meats have been around for a while, but recent public awareness is motivating lawmakers to address these issues. The U.S. food supply is relatively safe, and consumer concern, although justified in some cases, is often based on the misunderstanding of complex, technical issues or on incomplete information.

An example of this "safety paranoia" is the passage by public ballot of California's Safe Drinking Water and Toxic Enforcement Act of 1986 (better known as Proposition 65). Designed to protect against potentially harmful chemicals, Proposition 65 requires clear and reasonable warnings when the public is exposed to chemicals known to cause cancer or reproductive toxicity in animals or humans. Because many of the chemicals listed as harmful by the state of California are found in common foods and beverages, foodservice establishments will be required to post warnings even when low levels of these chemicals are considered harmless. The enforcement details of Proposition 65 have yet to be determined and the regulation is being challenged by many groups, including the Food and Drug Administration (FDA) and the U.S. Department of Agriculture (USDA). Nonetheless, the precedent has been set, and other states may follow suit with similar laws and regulations.

Pesticides, too, are receiving increased attention. Consumer groups are increasingly critical of established levels for pesticide residues in food products. The Environmental Protection Agency ranks health and ecological risks from residues high on its list of problems, and the FDA is increasing its domestic pesticide residue-testing activities. The result is a heightened awareness of pesticides and increased demand for organically cultivated agricultural products.

Concern over foodborne bacteria and food contamination has focused congressional attention on inspection programs, specifically those for meat, poultry and seafood. Existing USDA meat and poultry inspection programs are considered lax by advocacy groups, who are lobbying Congress to introduce bills designed to improve USDA's inspection activities. Increased fish consumption is responsible for the focus on fish and seafood safety. Growing acceptance of raw fish has prompted awareness of the accompanying danger of parasitic infection. And, unlike USDA, the National Marine Fisheries Service operates a voluntary rather than mandatory inspection program. A congressionally man-

The National Restaurant Association's on-going consumer research reveals...

- Birthdays are the top restaurant holiday. Over 50 percent of consumers visit a restaurant that day.
- The most popular take out foods are hamburgers, french fries, chicken, and pizza.
- Four out of 10 consumers have changed their dining out habits in response to health and nutrition concerns.
- Italian, Chinese, and Mexican foods rank #1, #2 and #3 as popular ethnic foods in restaurants.
- Soft drinks are the most popular type of beverage ordered at restaurants, coffee is second.
- Consumers are patronizing specialty restaurants more than ever. Four out of 10 consumers have been to an establishment specializing in bakery items, pizza delivery, barbecue, pasta or hot dogs.
- Children and 25 to 34 year olds accounted for 60 percent of the expansion of the takeout market between 1982 and 1986.
- In an average work week 56 percent of adults, age 18 and older, who are employed during the day purchase lunch or eat out at least once.

FOODSERVICE INDUSTRY 1987-1988

1988 Sales	**$213.5 billion**
Units	**619,000**
Employees	**8 million**
Foodservice share of the Food Dollar	**40.8 percent**

National Restaurant Association Pocket Factbook

1987-88 Officers

Michael J. Grisanti
Chairman of the Board and President

Jim L. Peterson
Vice President

Harris H. Rusitzky
Treasurer

Foodservice—First in number of units

Commercial Foodservice	447,000
Institutional Foodservice	771,000
Military Foodservice	1,000

Foodservice sales have risen dramatically since 1970 . . .

Year	Sales
1970	$ 42.8
1975	97.6
1980	119.6
1985	174.8
1988	213.5

Foodservice Sales Projection, 1988: $213.5 billion

	Sales '88
Commercial Foodservice	
Eating Places	$ 138.2
Drinking Places	9.6
Foodservice Contractors	11.6
Hotel/Motel Restaurants	13.3
Other Retail, Vending, Recreation	16.8
	$ 189.5
Institutional Foodservice	
Businesses, schools, hospitals, nursing homes and others which operate their own foodservice	$ 23.1
Military Foodservice	
Base exchange, officers and NCO club foodservice	$ 1.0

Foodservice—the number one retail employer...

- The foodservice industry employs more than 8 million people.
- Eating and drinking places are expected to employ 2.5 million more people by the year 2000, generating the largest number of new jobs in any industry.
- By 1995, 1.4 million workers will be employed at fast food restaurants and service stations, 700 thousand will work at department and variety stores and 1.6 million will be working as chefs or cooks.
- Total annual wages and benefits equal $27 billion for restaurants and lounges and $16 billion for fast food establishments.
- Nearly two-thirds of all foodservice employees are women and one-fourth are teenagers.
- Eating and drinking places are employing more minorities. Nearly 20 percent of all eating and drinking place employees were Black or Hispanic in 1988, up from 15 percent in 1980.

Foodservice is a ladder to management opportunity...

- Foodservice employs more minority managers than any other retail industry.
- Managerial or administrative personnel employed in eating and drinking places will increase by nearly 25 percent over the next 10 years.
- Over 533,000 individuals are employed in a supervisory capacity at eating and drinking places, a 44 percent increase since 1980.

Foodservice—An integral part of our nation's economy...

- Foodservice will account for $240 billion in sales in 1989, a real gain of nearly 2.9 percent in 1988.
- Foodservice industry sales equal nearly 5 percent of the U.S. Gross National Product.
- Foodservice sales advanced at a 7.6 percent compound annual rate between 1980 and 1987.
- The proportion of the food dollar spent on food away from home in 1985 was 43.8 percent, up from 36.0 percent in 1980.
- Food and beverage purchases are now $353.81 a person in 1988.

Foodservice—First in daily customer contact...

- Individuals eat out an average of 3.7 times a week or 192 times a year.
- Per person check averages $3.45.
- More than four out of 10 of all restaurant occasions were for takeout or delivery in 1986. At fast food places, the proportion was 60 percent.
- Lunch is eaten away from home more than any other meal. Over one half of consumers eat lunch out at least once a week while 49 percent eat dinner out and 18 percent eat breakfast away from home at least once in a seven-day period.
- Men eat out more frequently than women: 4.2 times per week versus 3.4 times.

For further information, contact:
National Restaurant Association
311 First Street, N.W., Washington, DC 20001
(202) 638-6100

After March 1, 1988 our new address will be:
1200 Seventeenth Street, N.W., Washington, DC 20036

Chains and franchises grow in importance...

- Sales at franchise restaurants reached $47.7 billion in 1985, representing 42.7 percent of total eating place sales.
- Companies with more than 100 units accounted for 60 percent of total franchise restaurant sales in 1985, up from 46 percent ten years earlier.
- A total of 61 United States franchise restaurant firms operated over 6100 units on foreign soil in 1985.

Eating and drinking places are mostly small businesses...

- Seven out of 10 units have annual sales less than $500,000.
- Most are single unit operations.
- About one-half of the units are sole proprietorships or partnerships.

dated study of the feasibility and benefits of seafood inspection may result in the creation of a mandatory inspection program in the near future.

Other 1988 federal issues include:

- revenue-raising tax proposals
- polygraph-testing legislation and
- Social Security reform which would eliminate the earnings limit.

Other state and local issues include:

- sales tax on services
- initiatives to ban the sale of irradiated foods
- packaging and litter restrictions and
- restaurant ingredient labeling.

Consumer demographics and lifestyles

Changes in consumer demographics and lifestyles affect dining-out patterns. Foodservice operators are finding that current trends are already spawning new concepts and services, influencing the direction the industry will take in upcoming years. Among the key trends are:

Household composition. During the 1980s this country has witnessed a dramatic slowdown in the growth of single-person households. Census Bureau figures reveal that between 1980 and 1987 the number of households consisting of a person living alone increased 15 percent. This is well below the 59 percent rise seen during the 1970s. Furthermore, 1987 marked the first time since 1970 that the number of persons living alone did not increase.

This change is not surprising. Young adults have traditionally been the source of new growth in single-person households. However, the number of 18 to 24-year-olds reached a high of 30 million in 1980 and is now falling. Moreover, the Census Bureau forecasts that the size of this age group will continue declining in the years ahead. Not only are there fewer young adults to set up new households, but also more of them are choosing to live with their parents.

The slowdown in growth of single-person households may affect restaurants because single householders spend a substantial proportion of their food dollar on restaurant meals and snacks and eat out more frequently than do other consumers. However, the trend toward more young adults living at home could prove to be a boost for the industry. These consumers may allocate even more money to restaurant meals because they are not burdened by the cost of maintaining their own households.

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Changes in the structure of family households will likely influence the industry in upcoming years. Although the proportion of families in U.S. households has declined slightly since 1980, family households have accounted for a larger share of total household growth than have nonfamily households, 57 percent versus 43 percent. These proportions were reversed during the 1970s. The maturing of the baby boomers is an obvious explanation for this shift. As young adults in the 1970s, many of these individuals postponed marriage, choosing instead to live on their own. Now that they are older, many are getting married and setting up families.

High divorce rates, changes in childbearing patterns and the rise in the number of working women are altering family structures. Married couple households with no children under the age of 18 are becoming more common. And, in a majority of these households, both spouses are active in the labor force. In fact, roughly 20 percent of all families in this country are two-earner couples with no children. This suggests that while baby boomers are getting married, some may be postponing or foregoing having children.

Children remain an important part of a substantial proportion of family households, but fewer of them are living in married couple households. The number of single-parent households advanced 20 percent between 1980 and 1987. These households now account for 23 percent of all family households with children. In contrast, only 11 percent of all family households with children were headed by a single parent in 1970. Convenience is undoubtedly a top priority of single parents, and growth of these types of households should help drive expansion of fast food and takeout markets.

A majority of children, both those in married couple and single-parent households, have a working mother. According to Bureau of Labor Statistics (BLS) data for 1986, 53 percent of all women with children under age 6 are active in the labor force as are 64 percent of those women with children between the ages of 6 and 17.

Growing importance of the home. A whole host of activities which have traditionally occurred in a commercial setting are now being undertaken in the home. Technological advances have made it possible to watch movies, shop and even work at home. The expansion of takeout services is making restaurant meals more readily available to consumers who want to eat at home. And evidence suggests that consumers are embracing these new options.

A BLS survey reveals that 2.2 million Americans worked exclusively at home in 1985. Of the 1.9 million at-home workers not employed in farming occupations, one-half were employed in service occupations. The data also showed that two-thirds of all at-home workers were women.

The at-home work market will be an interesting one to watch for the restaurant industry. BLS economists suggest that the number of Americans who work at home will likely increase in the future. If that happens, restaurateurs may experience a loss in lunchtime business because working consumers account for a large proportion of all lunch traffic. At the same time, expansion of the work-at-home segment may increase opportunities for home-delivered meals.

Consumers are responding positively to the expansion of takeout options.

Leisure and social activities are also being enjoyed at home. A survey conducted by the Roper Organization indicates that a substantial proportion of consumers prefer to spend time at home. Viewing a movie at home on the VCR was favored over going to a theater by more than 60 percent of the consumers surveyed. A similar proportion said they would rather socialize with friends at home than at a bar, restaurant or club. And more than one-half of survey respondents showed a preference for listening to music and watching a sporting event at home rather than in a public arena. The only activity which a majority of consumers said they would rather do away from home was eating a restaurant meal. Roper researchers suggest, however, that because takeout restaurant fare is limited primarily to fast food, consumers' preferences for dining out may be, in part, a reflection of their desire for greater variety in takeout food. CREST data indicate this may indeed be true since takeout for at-home consumption has grown dramatically in recent years. Customer counts jumped 40 percent between 1982 and 1986. And, the at-home segment now holds a 21 percent share of total industry traffic, up from 17 percent in 1982.

The results of the Roper survey have several implications for the foodservice industry. Consumers, looking for more variety in takeout foods, may welcome full-course meals or gourmet takeout. Midscale and upscale restaurants are in a unique position to fill this need. Already, delivery systems for groups of independent tableservice restaurants are springing up in several metropolitan areas. In addition, as consumers choose to do more at-home entertaining, the demand for catering will likely increase.

Nutrition and health issues. Consumer awareness of nutrition will be sustained in 1988. Food manufacturers are increasingly using nutrition to sell their products, and this approach is likely to intensify. The FDA has proposed a regulation that would permit not only nutrition messages but also health claims on food products. Currently, only statements about the nutrient (i.e., fat, calcium, etc.) content of food products are allowed, prohibiting claims made about the benefits of food in reducing the risk of disease development. The proposed policy would allow manufacturers to inform customers about health benefits using disease-related statements on foods.

Survey results show that consumer nutritional concerns remain focused on

How the composition of U.S. households has changed over the past 10 years

	Proportion of U.S. households	
	1977	1987
Family households	76%	72%
• Married couple only	30	30
• Married couple with children under 18	34	28
• Single parent with children under 18	7	8
Non-family	24	28
• Living alone	21	24

Source: U.S. Bureau of the Census, 1987

Preferred location for certain leisure activities

	Proportion*		
Activity	**At home**	**Away from home**	**Not interested/ Don't know**
Watching movies	65%	30%	5%
Listening to music	52	34	15
Socializing with friends	60	34	6
Watching sporting events	51	30	19
Dining (takeout)	25	69	7

**Proportion of consumers who prefer to engage in the activity at/away from home most of the time.*

Source: *The Public Pulse*, March 1987, The Roper Organization

cholesterol, fat, salt, sugar and calories. Nutrients that will dominate consumer interest in the coming year are fats, cholesterol, fiber and alcohol. The government's Cholesterol Education Campaign is focusing its efforts on diet modification. This will increase public awareness of the relationship between dietary fat and cholesterol and the risk of heart disease. The National Cancer Institute's aggressive public education efforts will motivate food (especially cereal) manufacturers to continue touting the fiber content of their products.

According to a 1987 National Restaurant Association survey, people are drinking less alcohol when dining in restaurants. And, about one in five individuals are ordering less alcohol for health reasons.

The proliferation of wellness centers around the country will have a greater effect on consumers' food choices. Targeted at professional workers, wellness centers evaluate health status and teach participants how to modify their lifestyles in pursuit of disease prevention. Diet, of course, plays a primary role in the process, and intense instruction in dietary improvement is provided. One successful Denver-based wellness center has even developed a restaurant program to help its graduates maintain wellness diets when dining out.

Immigration. Immigration to the United States during the 1980s has outdistanced the pace set during either of the previous two decades. In 1985 some 570,000 immigrants legally entered the United States. The majority of the new arrivals today come from Latin America and Asia. These individuals and their descendants are expected to have a substantial effect on American culture in the future because both ethnic groups are forecast to grow at a faster rate than both the white and black segments of the population. According to the Population Reference Bureau, Hispanics will comprise 15 percent of the total U.S. population by 2020, and Asians will account for 6 percent, up from 7 percent and 2 percent, respectively, in 1980.

As their numbers increase, so will their influence on American tastes, attitudes and behavior. Within the foodservice environment, this is already evident in the growing popularity of Asian and Latin cuisines. In addition, some foodservice companies, especially those operating in areas with high concentrations of Hispanics and/or Asians, such as California and New York, are beginning to target market research and advertising toward these groups.

Mature Americans. The number of Americans over the age of 55 will continue to increase during the upcoming decade, reaching 59 million by the year 2000. Today's older consumers are markedly different from previous generations. They are healthier, more active and enjoy relatively high standards of living. They like to travel and engage in a variety of other social and leisure activities, including dining out. According to BLS's Consumer Expenditure Survey, mature consumers are allocating a larger proportion of their total food budget to restaurant meals and snacks. An exclusive National Restaurant Association CREST survey shows that traffic counts for those between the ages of 55 and 64 climbed 4 percent between 1982 and 1986, while counts for the 65-year-old and older group advanced 14 percent. Overall, industry traffic grew 11 percent during this period.

Operators in all segments are being challenged to meet the unique foodservice needs of older consumers. Association research shows that older patrons are attracted to establishments serving good food at reasonable prices. They enjoy a relaxed atmosphere and friendly attentive service. And, while their nutritional concerns are not that different from other population groups, they express greater interest in foods that are low in fat, cholesterol and salt.

Children. Restaurateurs are turning their attention to children. The size of this market is growing, from 45 million under the age of 13 in 1986 to a projected 48 million in 1990. Children play an important role in dining-out decisionmaking, especially in selecting the type of restaurant to patronize. In a 1982 National Restaurant Association research study, 26 percent of children age 12 and under and 32 percent of teens influenced the selection of the restaurant. Their voice was even louder when the decision concerned fast food establishments. Changes in family demographics, such as the decline in family size and the rising numbers of dual-income and single-parent families, may mean children will consume more restaurant-prepared meals in the future.

An exclusive National Restaurant Association CREST survey shows children's usage of restaurants is already on the upswing. Between 1982 and 1986, traffic for children under age 18 at all restaurants increased 23 percent—double that registered for all other age groups combined. And while quickservice

Proportion of U.S. households that own microwave ovens, VCRs

Microwave	62%
VCR	41
Microwave and VCR	32

Source: NPD CREST, 1987

How children affect food spending

	Change in spending*	
Age group	Food at home	Food away from home
Under 5	$ 7.52	– $4.13
5 to 9	6.58	– 1.42
10 to 14		
male	9.74	– 2.47
female	6.56	1.00
15 to 19		
male	10.91	– .63
female	6.47	– 1.21

**Change in average weekly spending associated with an additional person in the average consumer unit of 2.6 persons*

Source: Bureau of Labor Statistics

restaurants continue to capture the largest share of children's visits, traffic for children increased at both midscale and upscale restaurants during the same time period. Furthermore, children under age 18 are playing a significant role in the expansion of the takeout market. According to the CREST data, they account for 33 percent of the total increase in takeout traffic in the industry between 1982 and 1986.

According to a special tabulation of data collected in BLS's 1984 Consumer Expenditure Survey, the addition of a child to the average household of 2.6 persons causes spending for restaurant meals to decline. On the other hand, the amount spent by the household for food at home rises. For example, if a child under the age of five joins the average household, spending for food at home increases by $7.52 while the amount spent on food away from home declines by $4.13. Thus, the projected increase in the number of children represents a challenge to the ingenuity of restaurants.

Industry trends

Takeout continues to be one of the biggest opportunity areas in all segments of the industry, and consumers are responding positively to the expansion of takeout options.

Takeout. American consumers' thirst for takeout restaurant meals and snacks has not been satiated. CREST data reveal that customer counts for off-premises dining at all restaurants rose at a faster clip than on-premises dining in each of the first three quarters of 1987. The majority of all takeout meals are purchased at quickservice restaurants, and this segment has posted healthy gains in takeout traffic over the past year. And while takeout is less prevalent in the midscale and upscale segments, these operators are beginning to penetrate the off-premises market. As quickservice operators experiment with double drive-thru units, kiosks, mobile units and delivery, midscale and upscale operators are adding special takeout menus, takeout food shops, off-premises catering services and even delivery in an effort to capitalize on the growing demand.

Consumers are responding positively to the expansion of takeout options. Carryout, the dominant form of takeout, has been losing market share to both drive-thru and delivery. Drive-thru captured 31 percent of all takeout occasions during 1986—up slightly from 30 percent in 1984. Delivery is coming on strong as well. Seven percent of all takeout occasions in 1986 were for delivery, compared to 4 percent in 1984. Nevertheless, carryout is still responsible for more than 60 percent of occasions.

Results of an exclusive National Restaurant Association CREST survey offer insights into who uses takeout and why it is growing in popularity. Children under the age of 18 and adults age 25 to 34 are among the heaviest users of takeout. More than one-half of all restaurant visits by each of these groups are for takeout. Moreover, these two groups are fueling the expansion of the takeout market for restaurant meals. Together, they accounted for 60 percent of the total increase in takeout traffic recorded between 1982 and 1986.

Percent change in traffic for on and off-premises dining (1987)

	Winter		Spring		Summer	
	On Premises	Off Premises	On Premises	Off Premises	On Premises	Off Premises
All restaurants	**2.3%**	**4.4%**	**−2.5%**	**9.8%**	**3.1%**	**4.3%**
Quick-service	4.9	4.5	nc*	8.7	5.7	4.8
Midscale	0.2	0.2	−5.4	16.2	nc*	−0.8
Upscale	−0.4	20.1	−0.8	23.9	1.7	7.7
Breakfast	6.4%	−1.7%	−3.5%	1.0%	−1.2%	−5.6%
Lunch	1.5	4.7	−1.8	9.9	4.2	7.4
Dinner	2.4	8.9	−2.3	15.4	4.5	7.9

*nc No change

Note: Percent change is over same period of the prior year

Source: NPD CREST, *Household Report*, Winter 1986-Summer 1987

1988 operation costs

Food costs. Menu prices are expected to advance 4.2 percent in 1988, slightly below the projected rate of increase for the overall Consumer Price Index (CPI). During 1987, menu prices increased a lower 4.0 percent.

Moderate increases in food costs are keeping menu prices down. Wholesale food prices should increase only 1.6 percent in 1988, down from the 2.0 percent gain in 1987. USDA forecasts an excellent corn crop for 1988, which is likely to keep feed and meat prices low. Broiler and pork production have risen through this year and will continue to expand in 1988. Beef prices, higher this year than last, should stabilize in 1988.

Labor costs. Industry labor costs are forecast to advance 4.0 percent in 1988, following a 3.6 percent increase this year. Low unemployment rates, combined with a continuing decline in the number of teenagers in the labor force, should exert upward pressure on wages in 1988. The fast food sector, a heavy user of teenage labor, has been especially hard-hit by the shrinking labor pool. In areas of low unemployment, starting hourly wages have

(cont'd. on page 29)

The reason these two demographic segments use takeout can be summed up in one word—convenience. A majority of 25 to 34-year-olds live in dual-income households. In addition, many of them are parents of young children. The demands associated with career and family leave little time for cooking. Purchasing restaurant meals to go gives these adults more time to spend at work or with their families. Moreover, some parents, especially those with young children, undoubtedly prefer dining in the relaxing atmosphere of their own homes rather than inside a restaurant.

Convenience and grocery stores. Retail stores are heating up competition too. Packaged meals and snacks are blurring traditional lines between restaurants and convenience and grocery stores. CREST data reveal that traffic at retail quickservice establishments increased at a double-digit pace during each of the first three quarters of 1987.

Takeout is the area where grocery and C-stores are making the greatest inroads. Although they do not hold a dominant position in the takeout market, retail outlets accounted for 7.9 percent of total quickservice takeout traffic in the 1987 summer quarter, up from 6.8 percent the previous summer.

According to *Convenience Store News* magazine, a vast majority of all traditional C-stores sold coffee (99 percent), carbonated/noncarbonated fountain beverages (85 percent), donuts/pastries (77 percent) and hot packaged sandwiches (72 percent) in 1986. A substantial proportion included hot dogs (48 percent), fresh deli sandwiches (41 percent), fresh baked goods (40 percent) and pizza/Italian food (36 percent) among their foodservice selections.

Grocery stores are also upgrading and expanding their foodservice offerings. A survey conducted by Nielsen Marketing Research for *Progressive Grocer* magazine showed that 81 percent of all chain grocery stores with an annual sales volume of more than $2 million had a service deli in 1986—up from 76 percent in 1985. More than seven in 10 of these stores offered cold food preparation on the premises and a similar proportion prepared hot foods .

Among the items most widely available at these service delis in 1986 were: hot poultry (69 percent), cold-prepared sandwiches (64 percent) and hot ribs (48 percent). Nearly 80 percent of the stores with service delis were involved in catering, and 53 percent did custom cooking.

(cont'd. from page 28)

risen dramatically to attract workers. Employee benefits, a growing cost component, have also increased as operators improve benefits to recruit and retain workers.

To meet the challenge of a shrinking pool of labor, alternative sources of labor have been tapped, including older workers, minorities and adult males. In addition, incentives have been developed to aid in employee retention. Training programs have received increased attention, not only to improve job performance, but also to foster personal growth.

At the same time, the industry has sought to improve labor efficiency through equipment and design. Double drive-thru windows, self-service soft drink fountains and electronic cash registers have all been installed to increase productivity. As wages rise further, operators are likely to invest in other labor-saving innovations.

Other costs. Other costs should increase 4.6 percent in 1988, above the 4.0 percent rise in 1987. Interest rates, advertising expenses, repairs and insurance are all expected to stimulate increases in overhead costs. Electricity prices, however, should remain steady.

Food and beverage trends

The fiercely competitive nature of today's foodservice environment is affecting the way operators are responding to changing tastes. While menus continue to evolve, changes seem to be coming at a less fevered pace. More attention is being given to the effect of long-term trends, such as interest in healthful foods, ethnic cuisines and convenience and less to short-lived fads. The key focus seems to be to provide consumers with a variety of quality items to choose from.

Poultry. According to CREST *Household Report* data, between 1982 and 1986 orders for poultry items in restaurants rose 22 percent. Per-capita poultry consumption has been rising steadily. Increased production, relatively low market prices and consumer interest in health and nutrition should help maintain poultry's upward momentum. To capitalize on the growing interest in poultry, chefs are creating a whole host of new selections.

Beef. Concerns over cholesterol and fat have led consumers to decrease their consumption of beef. Per-capita consumption declined about 5 percent in 1987 and, according to the USDA, it is expected to slip another 4 percent in 1988. CREST data indicate orders for beef are down 13 percent since 1982.

Operators have been and are continuing to be responsive to these shifts in demand. Those with beef or red meat-based menus are expanding their options. Fast food burger places now feature chicken and salads. Midscale steakhouses have added poultry and seafood dishes to round out their menus. And in the upscale steak segment smaller portions and leaner versions of signature items are appearing on menus.

Beef, however, is not about to disappear from restaurant menus. Some suggest that as consumers eat less beef at home, they will seek beef-based dishes when dining out. In addition, beef producers are fighting back. An aggressive marketing campaign to upgrade beef's image was launched in 1986. A substantial proportion of the advertising and promotional dollars is being concentrated in the foodservice sector. Recipes for salads, appetizers and light entrees are being distributed to foodservice professionals to encourage them to experiment with beef.

Use of takeout at restaurants by age group

Age of eater	Percent of occasions on which takeout is used	Share of total takeout traffic*
Under 6	54%	8%
6 to 17	53	16
18 to 24	54	10
25 to 34	52	27
35 to 44	45	18
45 to 54	34	10
55 to 64	27	7
65 to 74	20	4
75 and older	21	1

**Total may not add to 100% due to rounding*
Source: National Restaurant Association CREST Survey, 1987

Per capita consumption of poultry and beef

	Beef*	Poultry*
1984	78.5	66.9
1985	79.1	70.1
1986	79.8	72.5
1987F	75.8	78.0
1988F	73.0	82.8

*in pounds
F = Forecast
Source: *U.S. Department of Agriculture*

Likelihood of ordering beverages in restaurants

Beverage	Proportion*
Nonalcoholic cocktails	22%
Nonalcoholic wine	17
Nonalcoholic beer	13
White wine	66**
Red wine	51**
Champagne	40**
Wine coolers	38**

*Proportion saying they are very or somewhat likely to try the beverage
**Among those who drink alcoholic drinks away from home
Source: *Beverage Preferences: A Consumer Attitude Survey*, National Restaurant Association, 1987

Pork. Producers are also waging a campaign to improve pork's image in the public's eye. Pork producers are marketing leaner cuts of pork and are illustrating a variety of ways to utilize it in recipes. Again, foodservice operators are being lobbied to expand pork's presence on menus.

Seafood. Another menu item that has benefited from the trend toward healthful eating is seafood. And, the introduction of ethnic and regional American cuisines that rely heavily on seafood, such as Asian and Cajun dishes, is furthering its position on restaurant menus.

Wholesale prices for fish rose at a slower pace in 1987 than they did in 1986, and this pattern is likely to continue next year, making seafood even more attractive to restaurateurs. Tight supplies of some familiar species will likely focus more attention on lesser known varieties.

Convenience. Convenience continues to be a top consumer priority, and operators are finding new ways to satisfy this craving. Miniature and hand-held foods are making their way onto menus of fast food places—perfect for consumers who eat on the run. As operators recognize consumers' ever-pressing need to transport restaurant meals to other locations, prepackaged salads are replacing the salad bar at many fast food restaurants.

Food bars. The salad bar may be disappearing from some fast food outlets, but it is finding a new home in many midscale and specialty restaurants. In fact, some operators are marketing food bars as alternatives to the usual fast food lunch. They are experimenting with food bars that feature salad ingredients, pastas, soups, desserts and even some main dish entrees, hoping to tap into the desire for fresh foods, variety and value.

Ethnic/regional fare. Ethnic and regional American cuisines continue to become more prevalent. And this increase has not been limited to just one segment of the industry. CREST data reveal that orders for Asian and Mexican foods have risen dramatically since 1982 in all segments.(The only exception is Mexican dishes within the midscale segment.) As American diners have become more adventurous, tacos, fajitas and egg rolls are among the foods that have moved into mainstream America. Moreover, as consumers become more familiar with the flavors of ethnic foods, operators are blending the best of different cuisines to create new taste sensations.

Growing interest in ethnic foods has wrought other changes. Ingredients that form the backbone of many ethnic cuisines are quickly catching on or being rediscovered. For example, grains such as rice are becoming more popular and are being offered as more than just main-dish accompaniments in restaurants. Fresh vegetables, including some lesser known varieties, are in the spotlight. And because the emphasis in many ethnic cuisines is on creating a unique balance of flavors, American chefs are using herbs, spices and special sauces more than ever before.

The simple preparation techniques used in many ethnic traditions are being borrowed by foodservice professionals as well, such as stirfrying, grilling and steaming. The emphasis is on utilizing basic ingredients and cooking methods to prepare appetizing, healthful meals.

Beverages. Consumers' away-from-home beverage choices are also changing. Shifts in tastes and attitudes are dampening demand for some types of liquid libations while others are enjoying increased popularity.

National Restaurant Association research suggests that the decline in alcoholic beverage consumption away from home seems to have bottomed out. The slowdown has created new opportunities for marketing nonalcoholic beverages. Twenty-two percent of consumers surveyed in the National Restaurant Association study, *Beverage Preferences: A Consumer Attitude Survey*, said they were interested in trying nonalcoholic cocktails. Younger consumers were especially enthusiastic.

Operators who have or are developing wine lists, wine tastings and wine-by-the-glass programs as well as those instituting server training programs are recognizing the profit potential in merchandising wine. A substantial proportion of consumers surveyed by the National Restaurant Association expressed a willingness to try various types of wine. Moreover, 60 percent of consumers who drink wine away from home said the decision to drink wine at a restaurant is largely a spontaneous one, suggesting that operators have a significant opportunity to influence consumers' choices at restaurants.

Consumers' taste for coffee, especially regular coffee, is waning, while tea consumption is on the rise. CREST data reveal that orders for coffee declined

by 5 percent between 1982 and 1986. Regular coffee posted a 15 percent drop in total orders, but orders for the decaffeinated version more than doubled. National Restaurant Association research suggests these trends are likely to prevail in the future. Younger consumers are less likely than older patrons to order coffee when dining out. Of those consumers who do drink coffee at restaurants, nearly 90 percent agreed that restaurants should offer a decaffeinated alternative. Furthermore, instant decaf will no longer satisfy patrons; 76 percent of coffee drinkers polled said restaurants should provide brewed decaffeinated coffee.

According to CREST data, orders for tea advanced 11 percent between 1982 and 1986, with orders for iced tea making the biggest jump—16 percent. Younger consumers are driving expansion of tea, both hot and iced. Although demand for decaffeinated tea is not nearly as strong as for decaffeinated coffee, 26 percent of consumers surveyed in *Beverage Preferences: A Consumer Attitude Survey* expressed interest in trying caffeine-free iced tea, and 18 percent said they would give decaffeinated hot tea a try.

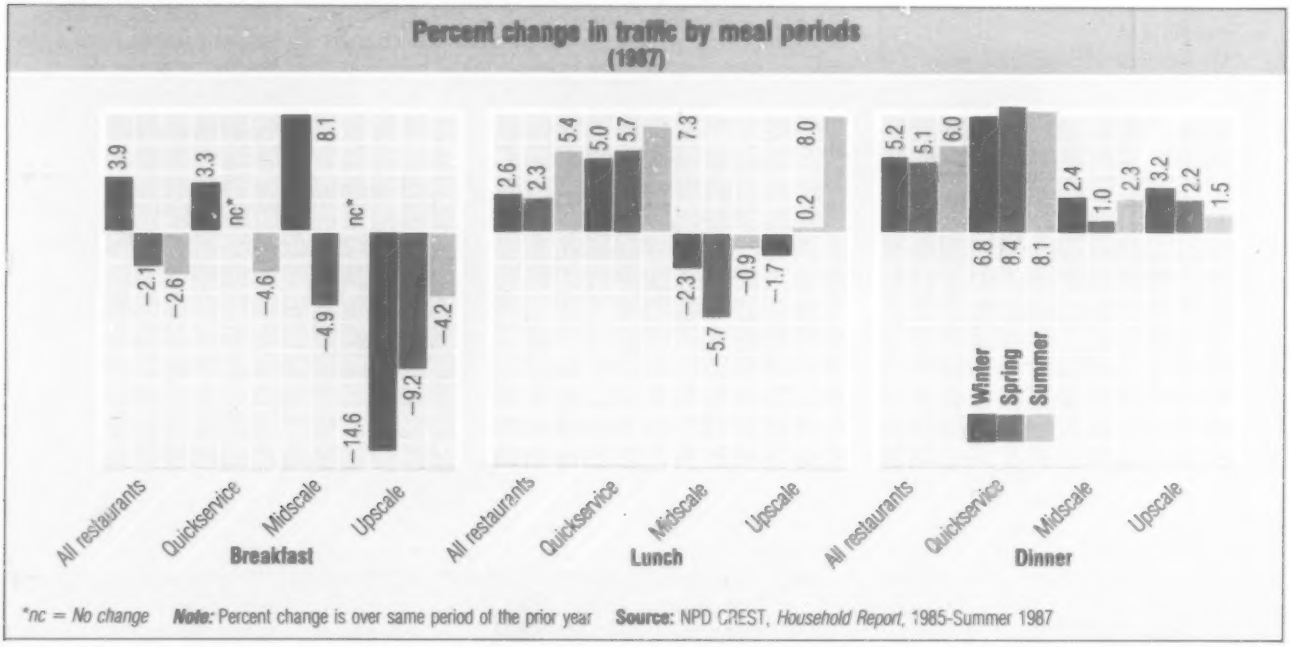
Frozen food makers are aggressively marketing an array of new breakfast treats. Consumer spending for these items is rising—up 18 percent over 1985.

Meal period update

Breakfast. After several years of dramatic growth, the breakfast market leveled off in 1986, posting a 1.9 percent decline in total customer counts. The sluggishness that gripped the market in 1986 continued through most of 1987. The 3.9 percent gain in customer counts seen in the 1987 winter quarter was the only positive gain registered during the first three quarters of the year. The slowdown at breakfast appears to have penetrated all segments.

Competition for customers at the morning meal has gotten tougher and indications are that these conditions will prevail during the upcoming year. Although restaurants have made significant inroads into the breakfast market, eating the morning meal continues to be largely an at-home activity. NPD research shows that more than 20 breakfasts are consumed at home for every one that is eaten at a restaurant. Moreover, frozen food manufacturers are working harder than ever to keep consumers at home in the morning. Responding to the growth in microwave oven ownership, frozen food makers are aggressively marketing an array of new breakfast treats. Consumer spending for these items is rising. According to *Supermarket Business* magazine's Consumer Expenditure Study, consumers spent $394 million in 1986 on frozen breakfast entrees—up 18 percent over 1985.

Although the breakfast market is tight, opportunities do exist. Takeout appears to be one of them. In 1986, off-premises traffic provided the only source of positive growth at the morning meal. Developing more appealing breakfast items that consumers are unlikely to make at home is another method operators can use to boost breakfast traffic in 1988.



*nc = No change **Note:** Percent change is over same period of the prior year **Source:** NPD CREST, *Household Report*, 1985-Summer 1987

The impulsive dinner market

Recent focus group research conducted by the National Restaurant Association suggests that decisions about dinner are usually made spontaneously. They are impulsive decisions. People are busier than ever, doing more and more things with their time, so it isn't surprising that fewer dinners are "planned."

Focus group discussions concerning dinners prepared at home versus dinners provided by foodservice suggest dinner has different meanings for different people.

At one end of the scale are people who take a traditional view of dinner and routinely devote predictable amounts of time and planning to the meal. At the other extreme are those who are unpredictable. These people do not display any routinized dinner behavior.

The people with a more traditional view of dinner appear to have fewer options than those who display less predictable behavior.

Thus, different people make decisions about dinner from a narrower or wider range of options and the process of decisionmaking can be very different depending on how many behavior options a person has.

According to this exploratory research, restaurant dinner decisionmaking has four different points of departure:

- ☐ Do I (or does he/she) deserve a treat or reward?
- ☐ Is everyone getting something to eat?
- ☐ What are you in the mood for?
- ☐ How hungry am I?

Lunch. With more than 100 million adults employed during the day and a projected increase of 2 million more next year, the lunch market is a promising one, but the competition is fierce. Customer traffic at lunch rose by more than 1 percent in 1986, and it has posted positive increases in each of the first three quarters of 1987. The largest gain came in the 1987 summer quarter when customer counts advanced a healthy 5.4 percent.

Quickservice restaurants continue to be the most frequent choice of lunchtime patrons, and these establishments registered substantial increases in traffic during 1987. Upscale operators are experiencing some small gains in customer counts at lunch, but midscale establishments are suffering. Traffic at midscale restaurants has been declining steadily for several years.

Consumers' desire for convenience may be one reason why midscale and, to some extent, upscale operators are struggling at lunch. More consumers are choosing to eat lunch off-premises. Thirty-eight percent of all lunchtime eater occasions occurred off-premises in the 1987 summer quarter, and takeout traffic at lunch was up 7.4 percent over the prior year. Quickservice restaurants are clearly in the best position to cater to this trend. Prepackaged salads, miniversions of signature menu items and pizza-by-the-slice are among the items fast food feeders are using to capture lunchtime business.

Midscale operators, however, are determined not to be left behind. Some establishments have launched express lunch programs while others are installing giant salad/food bars to get customers in and out in a short period of time. Midscale operators are expanding takeout options and improving efficiency of this service to boost lunchtime traffic. Takeout is also becoming an increasingly popular way to lure lunch customers to upscale restaurants as is the practice of offering lighter menus.

Dinner. The dinner hour has been the strongest of the three main meal periods in recent years. According to CREST *Household Report* data, traffic at dinner advanced 4.8 percent in 1986 and increased by 5 percent or more during each of the first three quarters of 1987. All segments of the industry enjoyed growth at dinner in 1987, with quickservice posting the largest gains.

Consumers are choosing to eat more restaurant-prepared dinners off-premises. A vast majority of the growth in dinner traffic in 1987 traces to increases in the use of takeout. Takeout traffic rose by 8 percent or more in each of the first three quarters of the year. Customer counts for on-premises dining rose by 2.4 percent in the winter, declined by a similar margin in the spring and posted a 4.5 percent rise in the summer of 1987.

This shift towards more off-premises dining in the evening clearly suggests consumers no longer view commercially prepared dinners as solely discretionary purchases. The rising number of two-earner and single-parent households is undoubtedly largely responsible for this change. These busy adults have little time or desire to prepare home-cooked meals as they juggle the many demands associated with work and family. Moreover, consumers are spending more and more of their leisure time at home watching movies on their VCRs and entertaining family and friends.

Industry marketing and markets

As a more mature industry, foodservice is characterized by a slower rate of sales growth and increased competition. Operators are taking steps to attract consumers through advertising and promotions, by opening new markets and by offering new services.

Advertising and promotions

Although word-of-mouth continues to be the most important way consumers find out about restaurants, market savvy firms are gearing up to spend more dollars than ever as they go after a greater share of consumers' restaurant dollar. After spending a record $1.2 billion on television advertising during 1986, for example, restaurant chains have outpaced that amount through the first half of this year.

Television has become an important aspect of promotion for large restaurant chains. Nowhere can the power of television advertising be better seen than in what has been termed media-driven products. These products experi-

ence strong sales as long as they are heavily advertised on television. Without accompanying advertising, sales drop off significantly, illustrating the products'extreme dependence on the media. Although only a relatively small number of chains are big enough to use television advertising effectively, restaurateurs are devoting more time and money to advertising and promotions as the battle for market share heats up in a growing number of areas throughout the country. TV, radio and print dollars are up, and the National Restaurant Association's Annual Operating Ratio Survey shows that there has been an above-average increase in spending for advertising and promotions.

Where does the industry's advertising go? A National Restaurant Association Gallup survey shows that in 1987 newspapers were the most popular form of advertising, used by 70 percent of restaurant establishments. According to a recent Roper survey, 29 percent of consumers say they get information about restaurants from newspaper advertising, making this advertising vehicle the one that consumers say they notice most. Following newspapers, the next most common means of advertising in 1987 is sponsorship of a community event.

Based on the association's Gallup survey of restaurant operators, advertising will increase again in 1988, although the majority of operators say they will hold the line on spending. About 25 percent of establishments expect to increase their budgets for advertising and promotions, 58 percent plan no change, and 4 percent plan a decrease. In addition, 13 percent do not know if they will increase their budget in 1988.

The only significant difference in planned spending for 1988 occurs by type of ownership. While 41 percent of chain/franchise establishments anticipate increased expenditures for advertising and promotions, a much smaller 21 percent of independents are planning an increase.

Opening new markets

The search for markets, whether they are new geographic regions or new customers, can reward innovative restaurant operators.

A significant development in the foodservice industry is the increased importance of convenience. The demand for fast, efficient and hassle-free service has fueled mobile foodservice units, fast food kiosk operations, home delivery and carryout. The importance of takeout and delivery to foodservice is best exemplified by its effect on total industry growth. According to CREST data, off-premises dining accounted for all of the increase in the number of eater occasions between spring 1986 and spring 1987. On-premises eating occasions actually declined during that period. Following the lead of pizza restaurants, operators in other segments are experimenting with takeout, setting up telephone lines for call-in orders and making room for takeout counters. Delivery is not for everyone, however. Some operations have dropped newly instituted delivery programs because the effort proved to be too costly.

The popularity of drive-thrus and the development of double drive-thru windows for even faster service have been other market developments. By offering lower than prevailing fast food prices and quick service, fast food kiosks and miniature operations, such as small drive-thru stands, are attempting to satisfy changing consumer needs.

Other operations have gone a step farther, actually bringing the kitchen to the customer. Mobile units, which act as roving delivery substations, are appearing on the foodservice scene, baking pizzas en route to fill phoned-in orders. Still others—from midscale operations to upscale white tablecloth establishments—have transported their kitchens through catering.

Other innovations are under way as well. New packaging is one such effort. Specially designed containers ease the transport of carryout food and minimize the difficulties of eating on the run. Things are changing inside restaurants too. Fast food chains are experimenting with automatic teller machines (ATMs), allowing customers ready access to cash or, in some cases, actually facilitating a direct transfer of payment from a consumer's checking account to the restaurant's bank account.

Expansion

Some restaurant chains are using acquisitions to increase market share, avoiding the risk associated with starting up new units. In an analysis of merger and

Food technology

Recent advances in food technology have resulted in products that directly compete with foodservice, especially the booming takeout market. Manufacturers, capitalizing on consumers' preference for "fresh" products, are rushing to produce prepared, refrigerated meals designed to compete with fast food and restaurant takeout items.

Manufacturers are hiring chefs to participate in product development and are using high-quality, fresh ingredients. Innovations in processing technology are improving the taste, texture and color of refrigerated meals. Packaging technology is producing longer shelf life, up to 21 days in some products, without compromising quality.

Another innovation—shelf-stable, microwavable meals—began to appear late this year and is likely to increase in popularity through 1988. The retort process, traditionally used for canned foods, is now applied to foods and meals in packages designed for the microwave oven. The result is a microwavable meal that needs no refrigeration or freezing. These products may cut into lunch business at quickservice restaurants by providing office workers with a convenient alternative.

Food technology also results in product development that benefits the foodservice industry. Agricultural research scientists are investigating the browning process in cut fruits and vegetables. Identification of compounds that prevent this reaction is expected to result in the development of an effective, safe sulfite alternative. Other related innovations should result in methods that keep produce fresh longer, such as shrink-wrapping produce at point of harvest in semiporous plastic films and the use of naturally existing organisms to prevent the growth of harmful bacteria

New products on the horizon that may be useful in foodservice operations include carbonated milk, breakfast soups and gourmet condiments. Carbonated milk, developed by using soft drink technology, is skim milk with added carbon dioxide. Because it does not taste like milk, the carbonated variety, which can be flavored, will likely be marketed to adults seeking high-calcium milk alternatives.

acquisition transactions between 1984 and 1986, Laventhol & Horwath, an international accounting firm, found that more than 50 percent involved expansion through the purchase of existing restaurant concepts. In 1987, however, the frantic pace of acquisitions lessened as chains paused to digest their new additions and consolidate operations.

Since real estate costs remain high and the number of prime restaurant locations is limited, some operators are turning to alternative building sites. Conversions, which involve redesigning existing structures to accommodate new concepts, have become a common method of unit expansion. These transfers should contribute to improved unit sales as sites eventually end up in the hands of the most efficient concept for a specific market. Conversions have also helped avoid the high cost of construction. Fast food kiosks offer another approach to reducing construction costs because of their smaller size, while mobile units avoid the building site problem all together.

Larger restaurant chains continue to be interested in foreign markets which offer the lure of potential sales growth and expansion opportunities. In addition to Canada and Europe, these chains have been targeting the Pacific Basin, where fast food has gained increasing consumer acceptance. The growth of units in Asia since 1975 has been staggering. A few large restaurant chains have even made inroads into Eastern Block nations, including the Soviet Union.

1988 projected change in advertising, promotion budget

	Total	Chain/ franchise	Independent
Increase	25%	41%	21%
No change	58	41	63
Decrease	4	1	5
Don't know	13	17	11

Source: National Restaurant Association Gallup Survey, 1987

Eating places

Eating places comprise two-thirds of total foodservice industry sales. Sales in this segment hit the $128.6 billion dollar mark in 1987, and they are forecast to reach $138.2 billion in 1988—a 7.5 percent increase. After adjusting for menu price inflation, eating place sales are expected to advance 3.3 percent in 1988.

Eating places enjoyed the benefits of moderate economic growth in 1987. Many of the same conditions should help support growth in 1988. Consumer confidence, which started out the year at levels below 1986, rose throughout much of 1987. Positive gains in employment and disposable personal income helped spur spending for restaurant meals. CREST data reveal that traffic at the nation's restaurants posted positive gains in each of the first three quarters of 1987. The quickservice segment continued to lead the others in traffic growth. Customer counts at both midscale and upscale restaurants have been somewhat flat, but this is relatively good news compared with the recent past when traffic in these segments was declining. This same pattern is expected in 1988. There should be a slowdown in the rate of unit expansion in 1988. But at the same time, a slight upswing in consumer spending should boost sales at eating places in the year ahead. Competition will remain intense, and advertising and promotion budgets for some will expand in 1988 as operators struggle to maintain awareness among a fickle consumer base. In an effort to further penetrate existing markets and enter new ones, operators are expected to look more to conversions and upscaling their decor.

Well-executed concepts that meet the needs of consumers will grow stronger in the year ahead, while those that are ill-defined will lose more ground. Overall, operators will have to fine-tune operations to adapt to a changing market and meet consumers' demand for high-quality food and service.

Fast food continues to outpace industry

Fast food restaurants are expected to register another year of healthy growth. Sales at limited menu restaurants are forecast to reach $60.4 billion in 1988—an 8.5 percent increase over 1987. Adjusted for menu price inflation, this represents an increase of 4.3 percent, higher than the 4.1 percent pace set this year and above the 2.9 percent real growth forecast for the industry overall.

Although limited menu restaurants should experience steady sales gains in the years ahead, it is unlikely that future increases will be as dramatic as in past years. Several factors are converging to restrain overall growth. Unit expansion, which had proceeded at a rapid pace, is slowing as some markets reach saturation points. Moreover, fast food restaurants' prime customers, teenagers and young adults, are declining in numbers, and convenience and grocery stores are muscling their way into the market by expanding and upgrading their foodservice offerings.

Fast food restaurants will continue to grow by responding to changes in the market. As they struggle to expand existing territories, operators are exploring options such as mobile units, double drive-thru units and conversions. To serve

their older, more sophisticated customer base, fast food operators are testing new menu items to provide patrons with more variety. Renewed emphasis is being given to food quality and efficient service. And more money is being spent to upgrade facilities.

This segment's most potent weapons are its marketing expertise, convenient locations and ability to fulfill consumers' demand for takeout foods. Sophisticated marketing tactics, hefty advertising budgets and exciting promotional campaigns will help keep fast food uppermost in the minds of convenience-conscious consumers.

Fullservice restaurant sales to reach $70.6 billion

Restaurants and lunchrooms, which account for one-third of total foodservice industry sales, are expected to post sales of $70.6 billion in 1988—up from $66.1 billion this year. In inflation-adjusted dollars this represents a 2.5 percent advance, slightly higher than the 2.3 percent real increase seen in 1987.

Consumers are expected to spend more than ever on restaurant meals in 1988. Slightly lower taxes and a slowdown in spending for durable goods should aid consumers' budgets. In addition, more Americans are expected to be wage earners next year.

The operating environment in 1988 will not be that different from the one seen in reeent years. Competition will continue to be intense. Concepts that do not fit in with the times will continue to struggle. Today's more sophisticated patron has high standards for quality of food and service. A well-trained staff will be crucial to an establishment's success. Patrons expect employees to be honest, friendly, professional and well informed. Consumers are looking for something new and exciting. In addition, takeout and home delivery will play a larger role in this segment.

Restaurants will have to market themselves more aggressively in the increasingly crowded foodservice environment.

Eating place sales: $138.2 billion

	1985 Estimated F&D sales ($000)	1987 Projected F&D sales ($000)	1988 Projected F&D sales ($000)	1987-1988 Percent change	1987-1988 Percent real growth change	1985-1988 Compound annual growth rate
Total eating places	**$ 111,598,206**	**$ 128,568,470**	**$ 138,211,105**	**7.5%**	**3.3%**	**7.4%**
Restaurants, lunchrooms	58,444,122	66,142,507	70,574,055	6.7	2.5	6.5
Limited menu restaurants, refreshment places	47,190,521	55,671,888	60,424,713	8.5	4.3	8.6
Commercial cafeterias	3,286,108	3,678,338	3,913,752	6.4	2.2	6.0
Social caterers	1,301,600	1,490,197	1,600,472	7.4	3.2	7.1
Ice cream, frozen custard stands	1,375,857	1,585,540	1,698,113	7.1	2.9	7.3

Sales to climb 7.1 percent at ice cream and frozen custard stands

Ice cream and frozen custard stands will record another year of substantial growth in 1988 as sales climb 7.1 percent to $1.7 billion. When adjusted for menu price inflation, sales at ice cream and frozen custard stands are forecast to rise 2.9 percent in the upcoming year—below the 3.3 percent real growth seen in 1987. A slowdown in new store openings by some chains in this segment is expected to restrain growth next year.

Brighter outlook for commercial cafeterias

Sales at commercial cafeterias are forecast to hit $3.9 billion in 1988, up 6.4 percent over 1987. This represents real growth of 2.2 percent.

The outlook for cafeterias is considerably brighter than it has been in recent years. Operators have responded to patrons' desire for variety and value. Chains are working to upgrade facilities, making units more pleasant and relaxing for customers. These efforts, combined with an improved economy in prime markets across the Southwest, should spur growth.

Sales for social caterers to hit $1.6 billion

Social caterers are holding their own in a market being infiltrated by restaurants and hotels. Sales for this segment should hit $1.6 billion in 1988, up from $1.5 billion in 1987, representing a real increase of 3.2 percent.

The Tax Reform Act of 1986, which limited business meal deductibility to 80 percent, will continue to dampen sales growth for social caterers with the business customer. This effect, however, should be offset to some extent by the return of formal weddings and other social occasions. Consumers with limited

time and higher-than-average incomes will be inclined to let caterers plan their social functions.

Bars and taverns to record a 4.5 percent rise in sales

Owners of bars and taverns are putting the days of declining sales behind them. Evidence suggests that the drop in alcoholic beverage consumption has bottomed out and may be rebounding. Sales at bars and taverns are expected to advance 4.5 percent to $9.6 billion in 1988. In inflation-adjusted dollars, this represents a 0.3 percent increase, an improvement over the 0.4 percent decline registered in 1987.

Major market outlook for 1988

The statistical tables in this section provide an in-depth look at 1988 sales projections for eight major foodservice markets. The eating place sector, not included here, is reviewed earlier.

Health care foodservice

□ Despite lower occupancy rates in hospitals, hospital and nursing home contractors will experience positive real growth in food and drink sales during 1988. Their growth will be spurred by population increases at nursing homes. These contractors are benefiting from hospital and nursing home cost containment and marketing programs which require consistently high-quality meals.

□ Contractors will capture a larger share of the hospital foodservice market, causing a projected real sales decline for institutional foodservice.

Educational foodservice

□ At colleges and universities, the student population will decrease by 0.2 percent, with the largest declines in full-time enrollment. The student population is expected to increase 0.6 percent at primary and secondary schools despite declining enrollment at high schools. Participation should be slightly higher in the school lunch program, and no major cuts in the program are expected.

□ A real decline in sales is expected for institutional foodservice at colleges, universities and primary and secondary schools.

Recreational foodservice

□ Foodservice sales at recreational

Health care foodservice sales: $12.2 billion

	($000) 1985	1987	1988	1987-1988 Percent change	1987-1988 Percent real growth change	1985-1988 Compound annual growth rate
Total health care foodservice	**$ 11,290,411**	**$ 11,795,494**	**$ 12,195,160**	**3.4%**	**-0.1%**	**2.6%**
Contractors in hospitals & nursing homes	1,184,410	1,328,205	1,411,226	6.2	2.0	6.0
Hospitals*	7,104,393	7,195,755	7,368,453	2.4	-1.8	1.2
Nursing homes	3,001,608	3,271,534	3,415,481	4.4	2.8	4.4

*Includes voluntary and proprietary hospitals; long-term general, TB, mental hospitals; and sales or commercial equivalent to employees in state and local short-term hospitals and federal hospitals

Educational foodservice sales: $10.0 billion

	($000) 1985	1987	1988	1987-1988 Percent change	1987-1988 Percent real growth change	1985-1988 Compound annual growth rate
Total educational foodservice	**$ 8,602,716**	**$ 9,530,689**	**$ 10,004,212**	**5.0%**	**0.1%**	**5.2%**
Colleges & universities						
Contractors	1,738,127	2,032,976	2,201,713	8.3	3.0	8.2
Institutional	3,059,579	3,317,023	3,421,136	3.1	-2.2	3.8
Subtotal	**$ 4,797,706**	**$ 5,349,999**	**$ 5,622,849**	**5.1%**	**-0.2%**	**5.4%**
Primary & secondary schools						
Contractors	886,382	1,011,974	1,086,860	7.4	3.2	7.0
Institutional	2,918,628	3,168,716	3,294,503	4.0	-0.2	4.1
Subtotal	**$ 3,805,010**	**$ 4,180,690**	**$ 4,381,363**	**4.8%**	**0.6%**	**4.8%**

Recreational foodservice sales: $5.7 billion

	($000) 1985	1987	1988	1987-1988 Percent change	1987-1988 Percent real growth change	1985-1988 Compound annual growth rate
Total recreational foodservice	**$ 4,936,634**	**$ 5,395,389**	**$ 5,719,841**	**6.0%**	**1.8%**	**5.0%**
Recreation & sports centers						
Contractors[1]	1,319,773	1,503,303	1,611,541	7.2	3.0	6.9
Noncontractors	1,957,118	2,149,356	2,269,720	5.6	1.4	5.1
Subtotal	**$ 3,276,891**	**$ 3,652,659**	**$ 3,881,261**	**6.3%**	**2.0%**	**5.8%**
Clubs[2], sporting and recreational camps	1,659,743	1,742,730	1,838,580	5.5	1.3	3.5

[1] Includes sales at drive-in movies, bowling lanes and recreational and sports centers
[2] A proportion of food and beverage sales in clubs is business-related

Employee foodservice sales: $6.4 billion

	($000) 1985	1987	1988	1987-1988 Percent change	1987-1988 Percent real growth change	1985-1988 Compound annual growth rate
Total employee foodservice	**$ 5,586,110**	**$ 6,050,646**	**$ 6,405,468**	**5.9%**	**1.7%**	**4.7%**
Food contractors						
Manufacturing & industrial plants	2,721,072	2,965,661	3,131,738	5.6	1.4	4.8
Commercial & office buildings	894,308	1,064,456	1,160,257	9.0	4.8	9.1
Institutional employee foodservice*	1,970,730	2,020,529	2,113,473	4.6	0.4	2.4

*Includes sales for industrial and commercial organizations, seagoing ships and inland waterway vessels

and sports centers are expected to show respectable growth during 1988, with sales growth by contractors outpacing non-contractors. Sports activities should show modest attendance gains.

□ Institutional foodservice sales at clubs and sporting and recreational camps are projected to make nominal gains in 1988. Limited growth in club memberships is expected. Memberships at sporting and recreational camps will be basically stable.

Employee foodservice

□ Real foodservice sales gains by contractors in manufacturing and industrial plants are expected to be below industry growth in 1988. Nevertheless, a 1 percent gain in employment at these plants reflects improved production for the export market due to the dollar's decline.

□ Employment at commercial and office buildings should advance by more than 4 percent in 1988 as more jobs are created in the information area. Real food and drink sales by contractors in these buildings are projected to advance by nearly 5 percent. Inflation-adjusted institutional food and drink sales in the employee foodservice category, which includes meal and snack sales for industrial and commercial organizations, sea going ships and inland waterway vessels, are expected to be flat during 1988. Greater contractor penetration has occurred in this market due to better cost containment and quality.

Lodging place foodservice

□ Hotels will continue to account for all of the growth in this sector. Real sales growth at both motels and motor hotels is expected to decline.

□ Occupancy levels should be up a bit in 1988, with new properties opening at a slower rate. Convention business is expected to be strong due to a good economy and the continued full tax deductibility of business meals when a speaker is present.

Military foodservice

□ Food and drink sales in the military foodservice segment should experience real gains in 1988. The armed forces population is expected to rise about 0.8 percent.

Transportation service

□ An increase of 7.1 percent is forecast for airline traffic in 1988, a slower growth rate than the 9.0 percent rise in 1987. The traffic level will not be hurt much by modest fare increases, and, with the economy up some in 1988, business air travel should be slightly stronger.

□ The projected food and drink real sales gain is lower than the rise in airline traffic due to the less elaborate meals being offered on flights and the substitution of snacks for meals.

□ Although railroads will see only moderate growth in 1988, cruise lines should enjoy strong gains—in the 12 percent range. Excellent consumer response is expected to the packages being offered by the cruise lines. In addition, the length of cruises has been shortened to widen the appeal of ocean travel.

Other foodservice

□ The projected strong real sales growth in the retail host category is due primarily to gains made by the meals and snacks merchandise line in convenience and grocery stores. There has been an increase in the number of convenience stores offering meal and snack items in both the grocery and gasoline service station markets. Liquor stores and bookstores are registering above-average growth results as well. These gains offset lower and no growth in department, variety and drug stores.

□ Sales gains by mobile caterers should be moderate.

Lodging place sales: $13.3 billion

	($000)			1987-1988 Percent change	1987-1988 Percent real growth change	1985-1988 Compound annual growth rate
	1985	1987	1988			
Total lodging places	**$ 10,898,520**	**$ 12,340,474**	**$ 13,303,031**	**7.8%**	**3.6%**	**7.5%**
Hotel restaurants	8,748,054	10,260,023	11,153,794	8.7	4.5	8.4
Motor hotel restaurants	741,443	796,555	826,824	3.8	-0.3	3.7
Motel restaurants	1,209,023	1,283,896	1,322,413	3.0	-1.2	3.0

Military foodservice sales: $1.0 billion

	($000)			1987-1988 Percent change	1987-1988 Percent real growth change	1985-1988 Compound annual growth rate
	1985	1987	1988			
Total military foodservice*	**$ 877,257**	**$ 986,628**	**$1,049,792**	**6.4%**	**2.2%**	**6.2%**
Officers & NCO clubs ("Open Mess")						
Military exchange	579,563	650,877	691,882	6.3	2.1	6.1
foodservice	297,694	335,751	357,910	6.6	2.4	6.3

Continental U.S. only

Transportation foodservice sales: $2.1 billion

	($000)			1987-1988 Percent change	1987-1988 Percent real growth change	1985-1988 Compound annual growth rate
	1985	1987	1988			
Total transportation foodservice	**$1,609,567**	**$1,950,216**	**$2,129,852**	**9.2%**	**6.7%**	**9.8%**
Contractors, in-transit foodservice commercial airlines	716,139	867,294	946,218	9.1	6.5	9.7
Transportation*	893,428	1,082,922	1,183,634	9.3	6.9	9.8

Includes sales on airlines, passenger/cargo liners and railroads

Other foodservice sales

	($000)			1987-1988 Percent change	1987-1988 Percent real growth change	1985-1988 Compound annual growth rate
	1985	1987	1988			
Retail hosts	$ 6,195,636	$ 7,952,520	$ 8,906,822	12.0%	7.8%	12.9%
Mobile caterers	627,366	704,780	746,362	5.9	1.7	6.0
Vending & non-store retailers*	3,898,901	4,405,602	4,718,400	7.1	2.9	6.6
Community centers	417,231	478,134	509,691	6.6	5.0	6.9

Includes sales of hot food, sandwiches, pastries, coffee and other hot beverages

The Foodservice Industry—Food and Drink Sales Projected to 1988

	1985 Estimated F&D sales ($000)	1987 Projected F&D sales ($000)	1988 Projected F&D sales ($000)	1987–1988 Percent change	1987–1988 Percent real growth change	1985–1988 Compound annual growth rate
GROUP I—Commercial Foodservice[1]						
Eating places						
Restaurants, lunchrooms	$ 58,444,122	$ 66,142,507	$ 70,574,055	6.7%	2.5%	6.5%
Limited menu restaurants, refreshment places	47,190,521	55,671,888	60,424,713	8.5	4.3	8.6
Commercial cafeterias	3,286,108	3,678,338	3,913,752	6.4	2.2	6.0
Social caterers	1,301,600	1,490,197	1,600,472	7.4	3.2	7.1
Ice cream, frozen custard stands	1,375,857	1,585,540	1,698,113	7.1	2.9	7.3
Total eating places	$111,598,208	$128,568,470	$138,211,105	7.5%	3.3%	7.4%
Bars/taverns	8,428,281	9,211,942	9,626,479	4.5	0.3	4.5
Total eating & drinking places	$120,026,489[2]	$137,780,412	$147,837,584	7.3%	3.1%	7.2%
Food contractors						
Manufacturing & industrial plants	$ 2,721,072	$ 2,965,661	$ 3,131,738	5.6%	1.4%	4.8%
Commercial & office buildings	894,308	1,064,456	1,160,257	9.0	4.8	9.1
Hospitals & nursing homes	1,184,410	1,328,205	1,411,226	6.2	2.0	6.0
Colleges & universities	1,738,127	2,032,976	2,201,713	8.3	3.0	8.2
Primary & secondary schools	886,382	1,011,974	1,086,860	7.4	3.2	7.0
In-transit foodservice (airlines)	716,139	867,294	946,218	9.1	6.5	9.7
Recreation & sports centers	1,319,773	1,503,303	1,611,541	7.2	3.0	6.9
Total food contractors	$ 9,460,211	$ 10,773,869	$ 11,549,553	7.2%	2.9%	6.9%
Lodging places						
Hotel restaurants	$ 8,748,054	$ 10,260,023	$ 11,153,794	8.7%	4.5%	8.4%
Motor hotel restaurants	741,443	796,555	826,824	3.8	−0.3	3.7
Motor restaurants	1,209,023	1,283,896	1,322,413	3.0	−1.2	3.0
Total lodging places	$ 10,698,520	$ 12,340,474	$ 13,303,031	7.8%	3.6%	7.5%
Retail host restaurants[3]	$ 6,195,636	$ 7,952,520	$ 8,906,822	12.0%	7.8%	12.9%
Recreation & sports[4]	1,957,118	2,149,356	2,269,720	5.6	1.4	5.1
Mobile caterers	627,266	704,780	746,362	5.9	1.7	6.0
Vending & non-store retailers[5]	3,898,901	4,405,602	4,718,400	7.1	2.9	6.6
TOTAL GROUP I	**$152,864,141**	**$176,107,013**	**$189,331,472**	**7.5%**	**3.3%**	**7.4%**
GROUP II—Institutional Foodservice—Business, Educational, Government or Institutional Organizations Which Operate Their Own Foodservice						
Employee foodservice[6]	$ 1,970,730	$ 2,020,529	$ 2,113,473	4.6%	0.4%	2.4%
Public & parochial elementary, secondary schools	2,918,628	3,168,716	3,294,503	4.0	−0.2	4.1
Colleges & universities	3,059,579	3,317,023	3,421,136	3.1	−2.2	3.8
Transportation	893,428	1,082,922	1,183,634	9.3	6.9	9.8
Hospitals[7]	7,104,393	7,195,755	7,368,453	2.4	−1.8	1.2
Nursing homes, homes for aged, blind, orphans, mentally & physically handicapped[8]	3,001,608	3,271,534	3,415,481	4.4	2.8	4.4
Clubs, sporting & recreational camps	1,659,743	1,742,730	1,838,580	5.5	1.3	3.5
Community centers	417,231	478,134	509,691	6.6	5.0	6.9
TOTAL GROUP II	**$ 21,025,340**	**$ 22,277,343**	**$ 23,144,951**	**3.9%**	**0.0%**	**3.2%**
TOTAL GROUP I & II	**$173,889,481**	**$198,384,356**	**$212,476,423**	**7.1%**	**2.9%**	**6.9%**
Group III—Military Foodservice[9]						
Officers & NCO clubs ("Open Mess")	$ 579,563	$ 650,877	$ 691,882	6.3%	2.1%	6.1%
Foodservice—military exchanges	297,694	335,751	357,910	6.6	2.4	6.3
TOTAL GROUP III	**$ 877,257**	**$ 986,628**	**$ 1,049,792**	**6.4%**	**2.2%**	**6.2%**
GRAND TOTAL	**$174,766,738**	**$199,370,984**	**$213,526,215**	**7.1%**	**2.9%**	**6.9%**

Footnotes:

1. Data are given only for establishments with payroll.
2. Food and drink sales for nonpayroll establishments totaled $3,379,180,000 in 1985.
3. Includes drug and proprietary store restaurants, general merchandise store restaurants, variety store restaurants, food store restaurants, grocery store restaurants, gasoline service station restaurants and miscellaneous retailers.
4. Includes drive-in movies, bowling lanes, recreation and sport centers.
5. Includes sales of hot food, sandwiches, pastries, coffee and other hot beverages.
6. Includes industrial and commercial organizations, seagoing and inland waterway vessels.
7. Includes voluntary and proprietary hospitals; long-term general, TB, mental hospitals; and sales or commercial equivalent to employees in state and local short-term hospitals and federal hospitals.
8. Sales (commercial equivalent) calculated for nursing homes and homes for the aged only. All others in this grouping make no charge for food served either in cash or in kind.
9. Continental U.S. only.

1988 food and drink purchases

Food and drink purchases for the foodservice industry are forecast to reach $81.8 billion in 1988. Purchases in the Commercial Foodservice Group, which account for 75.2 percent of the total amount spent, are estimated to equal $61.5 billion.

Highlights for 1988 food and drink purchases

□ **Eating places**, which comprise the largest component of the Commercial Foodservice Group, are projected to record food and drink purchases of $46.8 billion.

□ **Food contractor** purchases are forecast to equal $4.6 billion. This group represents the largest component of the commercial segment outside eating places in terms of food dollars spent.

□ Purchases for the **Institutional Foodservice Group,** which account for 16.0 percent of total purchases, are expected to reach $13.1 billion.

□ **Hospitals**, the largest food and beverage purchasers in the institutional segment, should record food and drink spending of $3.3 billion.

□ **Military Foodservice** purchases are predicted to total $2.5 billion. Defense personnel expenditures, the largest share of military foodservice purchases, are predicted to total $2.1 billion.

The foodservice industry food and drink purchases projected to 1988*

	Estimated food and drink purchases ($000)
GROUP I: Commercial Foodservice[1]	
Eating places	
Restaurants, lunchrooms	$ 24,712,211
Limited menu restaurants	19,642,866
Commercial cafeterias	1,396,348
Social caterers	568,168
Ice cream, frozen custard stands	497,547
Total—eating places	**$ 46,817,140**
Bars and taverns	487,292[2]
Total—eating and drinking places	**$ 47,304,432**
Food contractors	
Manufacturing and industrial plants	$ 1,349,466
Commercial and office buildings	500,802
Hospitals and nursing homes	633,386
Colleges and universities	705,715
Primary and secondary schools	400,236
In-transit foodservice (airlines)[3]	454,118
Recreation and sports centers	549,535
Total—food contractors	**$ 4,593,258**
Lodging places	
Hotel restaurants	$ 3,468,161
Motor hotel restaurants	258,713
Motel restaurants	424,138
Total—lodging places	**$ 4,151,012**
Other commercial	
Retail host restaurants	$ 3,010,506
Recreation and sports	785,323
Vending and non-store retailers	1,456,712
Mobile caterers	234,358
Total—other commercial	**$ 5,486,899**
TOTAL—GROUP I	**$61,535,601**

	Estimated food and drink purchases ($000)
GROUP II: Institutional foodservice—Business, educational, government or institutional organizations that operate their own foodservice	
Employee foodservice	$ 996,164
Public and parochial elementary and secondary schools	3,256,517
Colleges and universities	1,436,466
Transportation	599,333
Hospitals	3,307,109
Nursing homes; homes for the aged, blind, orphans, mentally and physically handicapped	2,098,472
Clubs, sporting and recreation camps	780,698
Community centers	601,420
TOTAL—GROUP II	**$ 13,076,179**
TOTAL—GROUPS I AND II	**$ 74,611,780**
Food furnished foodservice employees (FSE) in Groups I and II	$ 4,725,290
TOTAL—GROUPS I, II AND FSE	**$ 79,337,070**
GROUP III: Military Foodservice	
Defense personnel	$ 2,078,117
Officers and NCO clubs ("Open Mess")	245,618
Foodservice—military exchange	141,374
TOTAL—GROUP III	**$ 2,465,109**
GRAND TOTAL	**$81,802,179**

*Purchases refer to expenditures by foodservice establishments for their food and drink supplies.

1. Data are given only for establishments with payroll.
2. Food purchases only.
3. Food purchases only.

Percent change in state and regional economic indicators: 1987-1988

	State	Population	Total employment	Manufacturing employment	Real disposable personal income	Eating place sales ($000) 1987	1988	Percent change
New England	Connecticut	1.0%	1.9%	-0.3%	2.0%	$ 2,416,896	$ 2,605,414	7.8%
	Maine	1.8	2.1	0.4	3.1	731,892	790,443	8.0
	Massachusetts	1.1	1.8	0.4	2.4	5,462,366	5,893,893	7.9
	New Hampshire	2.5	3.2	1.9	4.3	770,103	840,182	9.1
	Rhode Island	0.5	1.7	0.3	2.3	655,527	704,692	7.5
	Vermont	1.4	2.5	1.5	3.2	372,855	404,548	8.5
	Total region	**1.2%**	**2.0%**	**0.4%**	**2.5%**	**$10,409,639**	**$11,239,172**	**8.0%**
Middle Atlantic	New Jersey	0.9%	1.9%	-0.8%	2.5%	$ 4,117,309	$ 4,389,051	6.6%
	New York	0.5	0.9	-1.1	1.2	10,341,846	10,997,976	6.3
	Pennsylvania	1.0	1.2	-1.0	1.7	5,805,113	6,182,445	6.5
	Total region	**0.7%**	**1.2%**	**-1.0%**	**1.6%**	**$20,264,268**	**$21,569,472**	**6.4%**
South Atlantic	Delaware	1.5%	1.5%	-1.6%	1.8%	$ 373,054	$ 399,541	7.1%
	District of Columbia	0.3	0.6	-1.5	-1.1	739,696	782,598	5.8
	Florida	2.3	3.6	2.9	4.0	7,837,682	8,558,749	9.2
	Georgia	1.4	2.6	1.3	3.8	3,467,212	3,765,392	8.6
	Maryland	1.2	2.2	-0.6	2.5	2,603,799	2,762,631	6.1
	North Carolina	1.2	2.2	1.4	3.5	3,291,766	3,581,441	8.8
	South Carolina	1.7	2.4	1.0	3.7	1,720,286	1,869,951	8.7
	Virginia	1.5	2.4	1.3	2.9	3,257,792	3,521,673	8.1
	West Virginia	0.7	1.3	-1.2	2.0	701,727	743,831	6.0
	Total region	**1.6%**	**2.6%**	**1.3%**	**3.3%**	**$23,993,014**	**$25,985,807**	**8.3%**
East North Central	Illinois	0.2%	1.1%	-1.2%	1.5%	$ 6,157,967	$ 6,545,919	6.3%
	Indiana	0.8	1.4	-0.3	2.1	3,117,471	3,332,576	6.9
	Michigan	0.4	1.3	-0.5	1.6	5,070,719	5,400,315	6.5
	Ohio	0.8	1.2	-0.8	1.7	6,147,362	6,540,793	6.4
	Wisconsin	1.1	1.8	0.6	2.6	2,389,261	2,561,288	7.2
	Total region	**0.6%**	**1.3%**	**-0.6%**	**1.8%**	**$22,882,780**	**$24,380,891**	**6.5%**
East South Central	Alabama	0.6%	1.8%	1.3%	3.0%	$ 1,574,820	$ 1,688,207	7.2%
	Kentucky	1.1	1.7	0.8	2.7	1,755,342	1,892,259	7.8
	Mississippi	0.4	1.5	1.4	3.0	889,114	955,798	7.5
	Tennessee	1.1	2.0	0.8	3.2	2,626,942	2,839,724	8.1
	Total region	**0.8%**	**1.8%**	**1.0%**	**3.0%**	**$ 6,846,218**	**$ 7,375,988**	**7.7%**
West North Central	Iowa	0.3%	1.3%	0.1%	2.1%	$ 1,262,026	$ 1,337,748	6.0%
	Kansas	0.6	1.8	1.6	2.7	1,222,009	1,306,328	6.9
	Minnesota	1.4	2.3	1.3	3.0	2,301,197	2,478,389	7.7
	Missouri	0.7	1.6	0.1	2.4	2,770,744	2,948,072	6.4
	Nebraska	0.7	1.7	1.0	2.6	822,970	873,994	6.2
	North Dakota	0.8	1.9	3.4	1.9	282,346	301,263	6.7
	South Dakota	0.6	1.6	3.1	2.8	308,388	327,200	6.1
	Total region	**0.8%**	**1.8%**	**0.8%**	**2.6%**	**$ 8,969,680**	**$ 9,572,994**	**6.7%**
West South Central	Arkansas	1.0%	2.0%	1.7%	3.3%	$ 997,179	$ 1,072,965	7.6%
	Louisiana	-0.3	2.1	0.6	3.1	2,422,824	2,597,267	7.2
	Oklahoma	0.6	2.3	2.0	3.2	2,061,412	2,220,141	7.7
	Texas	1.0	3.0	2.0	3.8	10,508,692	11,349,387	8.0
	Total region	**0.8%**	**2.7%**	**1.8%**	**3.6%**	**$15,990,107**	**$17,239,760**	**7.8%**
Mountain	Arizona	2.6%	3.8%	3.4%	4.4%	$ 1,956,290	$ 2,148,006	9.8%
	Colorado	2.4	3.5	3.3	4.2	2,508,514	2,731,772	8.9
	Idaho	1.5	2.6	2.5	3.8	443,690	477,410	7.6
	Montana	0.9	2.1	0.4	2.9	397,689	423,936	6.6
	Nevada	3.0	4.0	3.6	4.5	699,680	762,651	9.0
	New Mexico	1.4	3.1	3.5	4.0	855,310	933,143	9.1
	Utah	2.0	3.3	3.6	4.5	667,042	717,070	7.5
	Wyoming	2.1	2.9	1.6	3.8	356,891	387,584	8.6
	Total region	**2.2%**	**3.4%**	**3.2%**	**4.2%**	**$ 7,885,106**	**$ 8,581,572**	**8.8%**
Pacific	Alaska	2.0%	3.4%	3.4%	3.8%	$ 498,035	$ 533,196	7.1%
	California	1.5	2.8	1.8	3.3	18,974,580	20,454,597	7.8
	Hawaii	1.4	2.5	*nc	3.0	1,183,728	1,277,242	7.9
	Oregon	1.7	2.4	1.2	3.2	1,572,318	1,683,952	7.1
	Washington	1.6	2.4	0.7	2.9	2,684,144	2,888,139	7.6
	Total region	**1.5%**	**2.7%**	**1.6%**	**3.2%**	**$24,912,805**	**$26,837,126**	**7.7%**

*nc—no change

Source: National Planning Association, Regional Economic Projections Series; National Restaurant Association

Regional and state forecast

For the eighth consecutive year, the National Restaurant Association is forecasting eating place sales for each of the 50 states and the District of Columbia. Restaurateurs can use these data to compare their sales performance with projections for their state or region.

To a great extent, eating place sales performance depends on the economic situation in the area. Such factors as the area's industrial mix, income, population and employment growth all affect restaurant sales.

Real disposable personal income is expected to rise in each of the nine census regions during 1988, boosting eating place sales. Population and total employment growth in all regions should be positive as well. Variations in economic growth between the regions, however, are often dramatic. While the Mountain states are expected to see a 3.4 percent rise in total employment and a 4.2 percent jump in real disposable personal income, the outlook for the Middle Atlantic region is much more modest, with total employment and real disposable personal income growing 1.2 and 1.6 percent, respectively.

Percent change in regional economies (1987–1988)

Region	Population	Total employment	Manufacturing employment	Disposable personal income*
New England	1.2%	2.0%	0.4%	2.5%
Middle Atlantic	0.7	1.2	−1.0	1.6
South Atlantic	1.6	2.6	1.3	3.3
East North Central	0.6	1.3	−0.6	1.8
West North Central	0.8	1.8	0.8	2.6
East South Central	0.8	1.8	1.0	3.0
West South Central	0.8	2.7	1.8	3.6
Mountain	2.2	3.4	3.2	4.2
Pacific	1.5	2.7	1.6	3.2
Total U.S.	**1.1%**	**2.1%**	**0.6%**	**2.7%**

* in real (non-inflationary) dollars
Source: National Planning Association, Regional Economic Projections Series; National Restaurant Association

Regional highlights

□ Leading the nation with the most impressive eating place sales gain in 1988 will be the **Mountain** region—up 8.8 percent. The **South Atlantic** should follow with an 8.3 percent advance.

□ The **Middle Atlantic** region is expected to post the lowest sales increase next year—6.4 percent.

□ The **Pacific** states should again rank number one in terms of total eating place sales—$26.8 billion. The **South Atlantic** is forecast to come in a close second, with sales of $26.0 billion.

□ **Arizona** is expected to boast the largest percentage increase in sales in 1988, with an advance of 9.8 percent. Close behind should be **Florida** at 9.2 percent, with both **New Hampshire** and **New Mexico** at 9.1 percent.

□ **California** should lead the nation in total eating place sales—$20.5 billion. **Texas** is projected to rank second with sales of $11.3 billion, and **New York** should come in third at $11.0 billion.

New England

Major industries

□ High technology
□ Defense
□ Manufacturing
□ Service
□ Textiles and apparel
□ Tourism

Outlook

□ Continued strength is expected in the residential and nonresidential construction markets due to a healthy economy and rising personal income. The weaker dollar in international markets should boost production in the region's many export-related businesses.

□ The service sector is expected to be strong, especially in Boston and Hartford, due to business, population and income growth. Wholesale and retail trade face a positive outook as well.

□ As an oil-dependent region, New England should benefit from low oil and gas prices and increasing access to cheaper Canadian gas and electricity.

□ Total eating place sales for the region are projected to top $11.2 billion, an 8.0 percent increase from 1987. Expected growth in population, employment and real income should be near the national average.

□ Although Massachusetts continues to lead the region in eating place sales, accounting for more than half of the New England total, New Hampshire is forecast to outshine the region in eating place sales growth—up 9.1 percent for 1988.

Middle Atlantic

Major industries

□ Manufacturing and heavy industry
□ Service
□ Tourism
□ Finance
□ High technology

Outlook

□ The declining value of the dollar overseas should be a boon to the area's tourist industry.

□ Manufacturing employment should decline in 1988 as the economy of New York becomes more oriented toward business services, finance and insurance. Manufacturing employment declines are also forecast for Pennsylvania and New Jersey where continued diversification into such industries as high technology and pharmaceuticals has made the economy more broadly based. Population and employment growth will be lower than the national average.

□ The performance of high technology industries should improve in the region. Business services are expected to be strong, and the weaker dollar should benefit the region's chemical operations.

□ In 1988 eating place sales in the region are forecast to advance by 6.4 percent to $21.6 billion.

□ In New York, which accounts for half of total eating place sales in the tristate area, sales are expected to reach $11.0 billion—up 6.3 percent.

South Atlantic

Major industries

- Service
- Textiles and apparel
- Agriculture
- Manufacturing
- Defense
- Tourism
- High technology

Outlook

Import competition in the fruit and vegetable markets will continue to be a major factor in the performance of the region's agricultural industry. Tobacco producers should continue to face declining domestic demand, but the outlook for the poultry industry is favorable.

The weaker dollar overseas will increase the competitiveness of the region's textile, apparel, lumber, paper and chemical industries, boosting production through greater exports.

The growth rate for employment in the manufacturing sector is expected to be more than twice that for the total United States during 1988. Projected population and total employment gains should also be above the national average.

Florida is the driving force behind the South Atlantic's economic growth. In 1988, eating place sales in this southernmost state are expected to rise 9.2 percent in 1988 to $8.6 billion.

Eating place sales for the region will advance to $26.0 billion—up 8.3 percent over 1987.

West North Central

Major industries

- Agriculture
- Aerospace
- Defense
- Farming equipment

Outlook

In 1988 population, total employment and personal income growth should all lag U.S. averages. Nevertheless, the 0.8 percent advance expected in manufacturing employment in the region is slightly higher than the 0.6 percent average forecast for the United States overall.

The long-awaited turnaround in the region's agricultural sector has begun. Farm income is up, and producers, especially livestock producers, are enjoying modest returns. The outlook, however, remains uncertain. Any significant increases in interest rates in 1988 could severely hamper efforts to reduce the region's massive farm debt and could halt progress.

A modest recovery in oil and gas industries should help stabilize the region's economy. Further gains are expected in defense-related industries.

Eating place sales are forecast to climb 6.7 percent in 1988. Total eating place sales should reach $9.6 billion next year.

Minnesota is expected to record the most significant advance in eating place sales in the region for 1988, with a 7.7 percent rise to $2.5 billion.

West South Central

Major industries

- Oil and gas
- Defense
- Chemicals
- High technology
- Finance

Outlook

While population advances will be below the national average, employment growth will be above.

The stabilization of oil prices in the world market is expected to help employment in the region. As a result, office space leasing and the housing market should pick up.

The high technology and defense sectors in Texas are expected to be a bright spot in the region's economy.

As the oil industry gradually recovers, the chemical industry should be aided by a weaker dollar in international markets, boosting the sector's exports.

Eating place sales should climb to a substantial $11.3 billion in Texas, up 8.0 percent and representing the largest advance in the region.

The region's eating place sales will advance to $17.2 billion in 1988—a 7.8 percent increase.

Mountain

Major industries

- High technology
- Defense
- Mining
- Construction
- Energy

Outlook

In 1988 the region should experience the strongest population, employment and personal income growth rates in the nation.

Employment advances will be aided by a gradual revitalization of the energy sector, but weak demand for steel will continue to plague the area's mining industry.

Manufacturing production related to defense spending is expected to remain strong.

Eating place sales for the region are forecast to advance to $8.6 billion. This represents the largest percentage gain for any region in the nation—up 8.8 percent.

Arizona sales will advance by 9.8 percent to reach $2.1 billion. This projected percentage increase is the largest of any state in 1988.

Colorado is forecast to lead the region with eating place sales of $2.7 billion.

Pacific

Major industries

- Electronics and high technology
- Aerospace
- Defense
- Lumber
- Agriculture
- Tourism

Outlook

Economic growth in the region should remain strong. The area should register population, employment and personal income advances above national averages.

Construction levels are expected to remain high. The outlook for the paper and pulp industry is particularly favorable.

Exports from the region are expected to fare better as a result of the weaker U.S. dollar. The lower value of the dollar in international markets should also aid tourism and port activity.

The electronics/high-tech sector will also be helped by the better export market and the industry's recent cost-cutting efforts.

California should lead the region and the nation in 1988 in total eating place sales—$20.5 billion, up 7.8 percent from 1987.

The region's eating place sales are forecast to reach $26.8 billion, the greatest amount for any region in the country.

East North Central

Major industries

- Automobile
- Steel
- Rubber
- Robotics
- Agricultural

Outlook

The region's population is expected to grow 0.6 percent in 1988, and total employment should rise 1.3 percent. Both increases are below averages forecast for the country overall next year.

Sluggish demand for automobiles will dampen the region's economy as weakness in this sector affects other major industries, including rubber, steel and robotics.

Expected declines in production in the region's heavy industries will result in a 0.6 percent drop in total manufacturing employment.

Federal government subsidy programs should help support farm income in 1988. However, the region's agriculture sector will continue to face high debt and excess production. Modest expansion in the region's budding service sectors may help offset weaknesses in other industries in the short term and represents the best prospects for long-term growth.

Eating place sales should rise 6.5 percent in 1988, to $24.4 billion.

The strongest gain in eating place sales is expected in Wisconsin—7.2 percent.

East South Central

Major industries

- Textiles and apparel
- Oil and gas
- Defense
- Automobile
- Paper and lumber

Outlook

Moderate improvements are expected in energy-related industries as the price of oil stabilizes on the world market.

The region's recently developed automobile industry may suffer setbacks due to weak consumer demand. Manufacturers of defense-related equipment are expected to post positive gains in 1988.

Steps taken to modernize textile and apparel manufacturing facilities should improve overall efficiency. This effort, coupled with relatively low labor costs, should help domestic manufacturers hold their own against strong foreign competition.

Population and total employment growth for the region in 1988 is expected to be below the U.S. average. However, manufacturing employment is forecast to rise 1.0 percent, slightly above the national average.

Tennessee should lead the region in eating place sales growth in 1988, posting an 8.1 percent increase in sales.

Eating place sales for the entire region are forecast to hit $7.4 billion next year—a 7.7 percent advance over 1987.

How the regional forecast was prepared

The economic and sales data for the states have been arranged according to the nine census regions. Included for each state are revised eating place sales for 1987, projected 1988 sales figures and information on personal income, employment and population data. Much of the economic data in this report is based on information obtained from such sources as the Bureau of Economic Analysis, the Bureau of Labor Statistics, the National Planning Association and the Chamber of Commerce.

The estimates for eating place sales used here were prepared in consultation with the research firm Malcolm M. Knapp, Inc. State-by-state historical eating place sales trends during 1972, 1977 and 1982 form the basis for these projections. Special attention was paid to growth trends between 1977 and 1982 for refreshment places (fast food) and restaurants and lunchrooms for each state. Sales figures were then adjusted to reflect current and projected income and population data.

A few reminders

Sales projections for 1988 are based on the best available data in late September and early October 1987. If the outlook for general economic conditions or the food situation changes significantly in 1988, these projections will require adjustment.

Adjustments were made to arrive at a predetermined U.S. total.

Sales figures for each state are subject to a larger margin of error than the national projections.

Actual sales figures represent an overall allocation of total sales in the United States, while percent changes are subject to more variation. Percent changes have been shown here as a convenience to *1988 Forecast* readers.

The sales information for states and regions is for all establishments. They represent the U.S. Census definition of eating places (SIC Code 5812) and include figures for operations with payroll and without payroll as well as contract feeding. As a result, the sales figures for states and regions will not equal the total for eating places. Regional projections were not done separately, and, as a result, regional totals are sums of state data.

1987 update

The National Restaurant Association's updated *1987 Forecast* shows a slight improvement in foodservice industry sales from the association's original forecast. In fact, inflation-adjusted food and drink sales are expected to approximate growth in real GNP.

Customer traffic at the nation's restaurants showed solid growth during the first three quarters of 1987. CREST data reveal that traffic gained 3.2 percent in the winter quarter, 2.6 percent in the spring and 3.6 percent in the summer.

But in the current competitive operating environment, restaurants have had to work hard to increase their customer counts. An indication of this competi-

How the 1988 forecast was prepared

The National Restaurant Association's projections for 1988, revised projections for 1987 and final estimates for 1985 are published here. Comparable historical sales data encompassing the 15-year period from 1970 through 1984 have been published in *Foodservice Numbers.*

The association's annual industry forecast for 1988 includes both nominal and real percent changes in sales for all industry sectors. Real growth is calculated separately for each market segment. In the case of eating places, the projected percent increase in menu prices is subtracted from the percent increase in sales. For drinking places, it is necessary to make a special estimate of the inflation factor, which is weighted more heavily toward alcoholic beverages.

For other industry sectors, such as colleges and universities where expenses are largely determined by food costs, a modification of the Producer Price Index for food is used. Modifications to this index are based on historical patterns for each industry sector. The food cost component constitutes the base percent increase, which is adjusted to reflect population changes and other pertinent factors, such as labor and overhead costs.

To arrive at real 1988 sales figures for the total foodservice industry as well as for the Commercial and Institutional Foodservice Groups, current 1987 sales were multiplied by the respective 1988 real growth factors. The real sales figures for each of these sectors were added and compared with 1987 sales to obtain overall real growth for the industry and the two major segments.

A word of caution

Sales projections are based on the best data available in late September and early October 1987. If the outlook for general economic conditions or the food situation changes significantly in the coming year, these projections will require adjustment. In addition, the performance of individual companies or sales in local market areas may differ substantially from the U.S. outlook.

Foodservice industry food and drink sales (1986–1987)

	($000)		Percent change	
	1986	1987	Current dollars	Constant dollars
Commercial Foodservice Group	$164,423,361	$176,107,013	7.1%	3.0%
Eating places	120,045,257	128,568,470	7.1	3.1
Restaurants and lunchrooms	62,222,490	66,142,507	6.3	2.3
Limited menu restaurants	51,484,858	55,671,888	8.1	4.1
Commercial cafeterias	3,470,130	3,678,338	6.0	2.0
Social caterers	1,390,109	1,490,197	7.2	3.2
Ice cream, frozen custard stands	1,477,670	1,585,540	7.3	3.3
Bars and taverns	8,891,836	9,211,942	3.6	–0.4
Total eating & drinking places	128,937,093	137,780,412	6.8	2.8
Institutional Foodservice Group	21,494,293	22,277,343	3.6	0.3
Military Foodservice Group	932,524	986,628	5.8	1.8
Total industry sales	**$186,850,178**	**$199,370,984**	**6.7%**	**2.7%**

tiveness is the increased usage of promotions by consumers during the first three quarters of 1987, compared to the year before. The proportion of restaurant visits on which a deal was used has increased steadily since 1984.

1987 traffic performance highlights

The **quickservice segment** saw customer counts rise by a healthy margin in 1987. Traffic was up 4.7 percent in the winter, 5.1 percent in the spring and 5.2 percent in the summer.

Midscale restaurants experienced less-than-desirable customer traffic gains during the first nine months of the year, although an improvement was posted over the decreases recorded in 1986. Customer counts inched up 0.2 percent in the winter, declined 2.9 percent in the spring and experienced no change in the summer quarter.

Upscale restaurants recorded slight gains in traffic during the first three quarters of 1987, with customer counts up at moderate check establishments and down at high check eateries. Traffic increased 0.7 percent in the winter, 0.5 percent in the spring and 2.1 percent in the summer.

1987 sales performance highlights

According to the National Restaurant Association's revised forecast, **foodservice industry sales** are expected to fall just shy of the $200 billion mark in 1987—a 6.7 percent increase from 1986. In inflation-adjusted terms, industry sales rose 2.7 percent in 1987.

□ Food and drink sales for the **Commercial Foodservice Group** are projected to reach $176.1 billion this year—a 7.1 percent gain over 1986. After adjusting for inflation, sales are expected to advance by 3.0 percent in 1987, a gain similar to that recorded last year.

□ Positive growth is also expected for both the **Institutional Foodservice Group** and the **Military Foodservice Group** where real sales should increase 0.3 percent and 1.8 percent, respectively. Sales volumes in 1987 should top $22 billion for the Institutional Group and reach almost $1 billion for the Military Foodservice Group.

□ **Eating place sales** are expected to advance to $128.6 billion in 1987—a 7.1 percent gain. Inflation-adjusted sales should increase by 3.1 percent. Food and drink sales at restaurants and lunchrooms are projected to top $66 billion this year—a 6.3 percent gain. Sales should grow even faster at limited menu (fast food) operations, by 8.1 percent, reaching $55.7 billion. Inflation-adjusted sales for these two eating place categories are expected to rise 2.3 and 4.1 percent, respectively, during 1987.

—Kate Conroy
—Laurence Greenberg
—Susan Mills
—Claire Regan
—Hudson Riehle

1 NEW ENGLAND

Location: Old Lyme, CT
Association member: Diana Atwood
Operation: Old Lyme Inn
Profile: Upscale restaurant
In business: 12 years
Seats: 120
Meals served: Lunch, dinner

"Business has been good. We've been up 15 to 20 percent all year," says **Diana Atwood,** owner of the Old Lyme Inn, which features American cuisine with a French flair. The Old Lyme Inn has received three, 3-star reviews in *The New York Times* during its 12 years in business.

Many customers from New York City routinely make a 2-hour drive north to the town of Old Lyme in southern Connecticut to eat at the Victorian-style restaurant.

The menu is somewhat seasonal, with summers featuring local seafood and winters featuring game. Atwood tries to offer a variety; occasionally, an exotic item like Wild Himalayan Goat will appear on the menu. A typical dinner costs $32; a typical lunch about $10.

The restaurant is an attraction in itself. It's part of a 13-room inn that was formerly a mansion. When Atwood bought the mansion, it was an Italian restaurant. She has since added eight rooms. "It's about as big as I want it to get right now," she says. "I don't think I'll expand it anymore."

2 MID ATLANTIC

Location: Kutztown, PA
Association member: Carlton C. Wolfinger
Operation: Sky View Restaurant
Profile: Fullservice family restaurant
In business: 11 years
Seats: 80
Meals served: Breakfast, lunch, dinner

"Business is super," says **Carlton C. Wolfinger,** owner of the Sky View Restaurant. "I don't know why it's so good. It's probably a combination of everything," he says.

The Sky View is one of a diminishing number of restaurants in eastern Pennsylvania that specializes in Pennsylvania Dutch-style cooking. "I don't know of anybody else in the area that serves it daily," Wolfinger says. "However, we also serve sandwiches and spaghetti."

Wolfinger is Pennsylvania Dutch and still speaks the language. Most of his customers and almost all of his employees are Pennsylvania Dutch as well.

Among the popular dishes served at the Sky View is *Schnitz und Knepp,* a Dutch-style dish with dried apples, dumplings and ham. Other Dutch-style favorites are pork and sauerkraut and the scrapple and smoked sausage platter. For dessert, many customers choose the homemade shoofly pie.

3 SOUTH ATLANTIC

Location: Martinsburg, WV
Association member: Judy C. Sharp
Operation: American Deli Incorporated
Profile: Deli
In business: 2 years
Seats: 84 indoors; 64 outdoors
Meal served: Lunch

"We do a great percentage of our business on weekends, but I think our weekday business is picking up," says **Judy C. Sharp,** manager of the American Deli Incorporated.

The deli is located in a three-year-old factory outlet mall in Martinsburg, West Virginia, which draws shoppers from the Northeast and Midwest. Many of the weekend visitors to the mall's 31 outlet stores eat at the deli. "Business is great. Of course, we're in our heavy shopping months because of back-to-school and Christmas shopping."

The deli is located in an old sewing room of a refurbished mill, now called the Blue Ridge Outlet Center. "The center is becoming more and more popular, and more stores are opening. As the center expands, so will our business," Sharp speculates.

The American Deli Incorporated features numerous sandwiches, soups, salads and desserts. The deli also owns a National "Icee" kiosk in the mall that sells hot dogs, popcorn and "Icee" drinks. "Having the deli and kiosk gives people more options in what they want to eat and spend," Sharp says.

4 EAST NORTH CENTRAL

Location: Swayzee, IN
Association member: Robert Drury
Operation: Chism Corner
Profile: Family restaurant/truck stop
In business: 7 years
Seats: 240
Meals served: Breakfast, lunch, dinner

"During the week it can get a little creepy at times, but Sundays are great," says **Robert Drury,** owner of Chism Corner, who is trying to change a truck stop into a family restaurant.

Fuel still accounts for 50 percent of Chism Corner's sales, and most of that comes during the week when things are slow in the restaurant. "I prefer to be called a family restaurant. I'm interested in food sales," says Drury. "As far as catering to the truckers, we don't."

When Drury bought the restaurant seven years ago, he changed the decor to a style that he thought would appeal to families. It has worked on Sundays, when his special broasted chicken and the other items on his buffet have customers standing in line.

Drury says he gets between 400 and 500 customers paying $5 each for the

Sunday buffet. The buffet features four meats, four vegetables and a salad bar.

5 EAST SOUTH CENTRAL

Location: Fayette, AL
Association member: Gaile Langley
Operation: GaLa
Profile: Upscale restaurant
In business: 4 months
Seats: 200 in dining room; 100 in banquet rooms
Meals served: Lunch, dinner

"Right now it's slow," says **Gaile Langley,** owner of GaLa restaurant. "We're building business up gradually; it's going to take awhile."

Langley bought the Fayette, Alabama, restaurant in July and immediately began making big changes. She replaced the wooden front with a glass front, painted a mural of a plantation on one of the walls and removed the marine decor from the previous restaurant. "We tried to make it look larger and airier," she explains.

However, her changes have not created the business she hoped for. "I really expected it to go better than this. But we're still trying to find the right combination," she says.

Part of Langley's problems stems from the economic slump in Fayette, where a local plant recently shut down. "We feel like the economy is going to improve," she says. "We haven't given up."

6 WEST NORTH CENTRAL

Location: Kearney, NE
Association member: Howard Connell
Operation: Grandpa's Steakhouse
Profile: Fullservice steakhouse
In business: 35 years
Seats: 300 in dining room; 100 in lounge
Meal served: Dinner

"November is a bad month for us. It seems like business drops just before Christmas," says **Howard Connell,** co-owner of Grandpa's Steakhouse. "Overall, our business is up. I expect to do 10 percent better than last year."

Located on the outskirts of the small college town of Kearney, Nebraska, Grandpa's is a traditionally styled steakhouse. Not too much at Grandpa's has changed during its 35 years of existence, despite the rapidly growing competition. Just 13 years ago, Grandpa's was one of four restaurants in Kearney. Now it's one of 25.

Grandpa's does feel the effects of a slowdown when Kearney State College is not in session. "Not so much from the absence of kids as faculty," Connell says.

In addition to steaks, Grandpa's other popular dishes include crablegs, lobster tails and prime rib. "I think the prime rib is one of our more popular dishes," Connell says.

7 WEST SOUTH CENTRAL

Location: Roger, AK
Association members: Art and Barbara Purma
Operation: Hillbilly Smoke House
Profile: Deli/shipping house
In business: 40 years
Seats: 100
Meal served: Lunch

"We've got a real good business in lunch and mail order," says **Barbara Purma,** co-owner of the Hillbilly Smoke House. "It grows every year."

Purma says her business is fairly evenly split between mail orders and customers that eat lunch at the 100-seat deli. Until 10 years ago, the Smoke House was strictly mail order.

"People who come around here during their vacations usually end up mail ordering some of our ham and turkey later on. We ship to customers all over the United States and Canada," she says. "However, most of our customers are in Texas."

Purma says the Smoke House is now gearing up for one of its busiest times of the year for mail order. "Christmas is real big for us. The hams are especially popular," she says.

8 MOUNTAIN

Location: Fillmore, UT
Association member: Don W. Fullmer
Operation: Paradise Inn Restaurant
Profile: Fullservice family restaurant
In business: 14 years
Seats: 150
Meals served: Breakfast, lunch, dinner

"The customers are here and in sufficient numbers," says **Don W. Fullmer,** owner of the Paradise Inn Restaurant, which is part of an 80-room restaurant/hotel complex. "One supports the other," Fullmer says. "One probably wouldn't be feasible without the other."

The restaurant is family oriented and tries to provide a variety of foods for breakfast, lunch and dinner. "We call our dining room 'The Garden of Eat'n,'" Fullmer says.

The hotel and restaurant complex is located in Fillmore, Utah, just off Interstate 15, which goes to Las Vegas. According to Fullmer, the restaurant customers are split three ways among hotel customers, local customers and people from the highway.

9 PACIFIC

Location: Bakersfield, CA
Association member: Bill Giltner
Operation: Schlotzsky's Sandwich Shop
Profile: Deli
In business: 2 years
Seats: 80
Meal served: Lunch

"Business could always be better, but we make a profit every month," says **Bill Giltner,** owner of a Schlotzsky's Sandwich Shop franchise in downtown Bakersfield, California.

Schlotzsky's is a popular lunchtime spot because many Bakersfield workers like to get out of the office during lunch. And in southern California, nearly every day is nice enough to take a walk downtown. Giltner says about 20 to 25 percent of his customers come in daily.

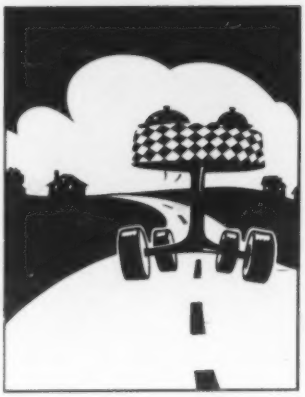
Schlotzsky's serves six different sandwiches in three different sizes. Giltner says the largest size, which is 8 inches in diameter, is much like a pizza and is usually eaten by two to four people.

The thing that keeps customers coming back to Schlotzsky's is the bread, Giltner says. "It tastes just like the bread Grandma makes. Customers can get ham anywhere."

Giltner says he is thinking about opening another franchise in a Southern California suburb, where he believes he could make about as much money, but the lunches would not be as hectic. Schlotzsky's, based in Austin, Texas, has about 220 franchises nationwide.

—Tom McKeon

Frozen meals on wheels



With everyone from pizza companies to hamburger, chicken and barbecue chains developing quicker and better ways to get hot meals to the eat-at-home market, General Mills has come up with a new twist. Order In, a dinner delivery service, is being test-marketed in Eden Prairie, Minnesota. According to General Mills' R. Craig Shulstad, the service specializes in "foods that can be delivered refrigerated, then can be heated in a microwave or conventional oven."

The aim of Order In, says Shulstad, is the "delivery of restaurant-style meals to homes and offices within 20 minutes." Not all the foods on the menu, which includes sandwiches, entrees, appetizers, salads and desserts, have to be heated or cooked in an oven. The company has high hopes for the service, he adds, but at this point, "it's an experiment."

—USA TODAY

Artichokes in the clouds

When a new management team took over Alaska Airlines 15 years ago, its members decided that quality in personnel, service and food would be a distinguishing element of the small airline. Today, although the airline has grown, the emphasis on quality remains. At a time when most major airlines are moving toward less elaborate meals (with some spending as little as $1.22 per passenger), Alaska Airlines spends $6.60 per passenger on food.

Fine fresh fruits and vegetables, innovatively and attractively served, are a major element in the airline's meal program, which is catered by Marriott's Corporate Catering. For example, on a recent flight from Anchorage to Los Angeles,

first-class passengers were served fresh, whole, steamed artichokes, accompanied by a dipping sauce. "What do we do with this?" asked some passengers who had not encountered a whole artichoke before. Experienced artichoke eaters in the cabin soon were giving instructions, and the artichokes became a source of traveling cameraderie.

—Fresh News for Foodservice

Calling all cars

Central Park U.S.A., Inc., which six years ago introduced the double drive-thru-only restaurant with a menu of burgers, fries and coke, is now tailoring its advertising to its behind-the-wheel customers. It is installing low-power transmitters in all Central Park stores that will broadcast continuously to all car radios within 1,000 feet of each Central Park unit. The system, which does not interfere with regular radio reception, will carry information about current menu specials as well as public service messages of interest to people living and working in the neighborhood of each store.

Because 100 percent of Central Park's customers are in automobiles or other motor vehicles, virtually all of which have radios, the new broadcasting system is "an ideal means of communications, far more interesting and personal than just putting up signs," says company president Richard P. Reinhard, Jr. "It gives us an opportunity no competitive fast food company has," he adds, "the opportunity to communicate verbally with our customers before they ever reach our stores."

Chattanooga-based Central Park, which currently has 23 stores operating in four states, has just launched a franchising program that will take the concept nationwide during 1988.

—Central Park U.S.A.

A project of hope

The timer is a flashing red light instead of a buzzer. All menu items are identified by pictures. And the employees at this busy Kentucky Fried Chicken restaurant "speak" noiselessly with sign language. The operation, located in the Malaysian capital of Kuala Lumpur, is the only KFC restaurant in the world to be run entirely by employees who cannot hear or speak.

In early 1986, KFC Holdings (Malaysia) began helping the Selangor School for the Deaf through fundraising and by training their students for jobs in the foodservice industry. Last June, the 15 employees who run the Kuala Lumpur restaurant began a rigorous training program that included three months of on-the-job training at other KFC restaurants around the country.

Customers at the restaurant order by pointing to the captioned photo and indicating with their fingers the number of items wanted. The deaf personnel work as cooks, waiters and cashiers, and, according to George Ting, executive director for KFC in Malaysia, "they are excellent, dedicated employees. This is a very good opportunity for the deaf to prove that they can communicate, which is something that the public is not aware of and which has hindered their chances for employment."

Kentucky Fried Chicken in Malaysia, which also has raised more than $70,000 for the Society for the Deaf, plans to continue to train deaf personnel to work in restaurants.

—Kentucky Fried Chicken News

Track your daily covers/sales and our seminars at the same time

With the new Educational Foundation calendar poster you'll see 3 months of great seminars at a glance. You'll know exactly what we're offering and when. Not only will you have information on all 6 months of Educational Foundation seminars (3 months at a time), the calendar format also leaves you room to note other important events and your daily Covers/Sales records.

Look for this insert in the January 1988 issue of **Restaurants USA.**

For more information on Educational Foundation seminars call the **Educational Foundation of the National Restaurant Association:**
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THE MONTHLY MAGAZINE OF THE NATIONAL RESTAURANT ASSOCIATION VOL. 8 □ NO. 1 □ JANUARY 1988

RESTAURANTS USA

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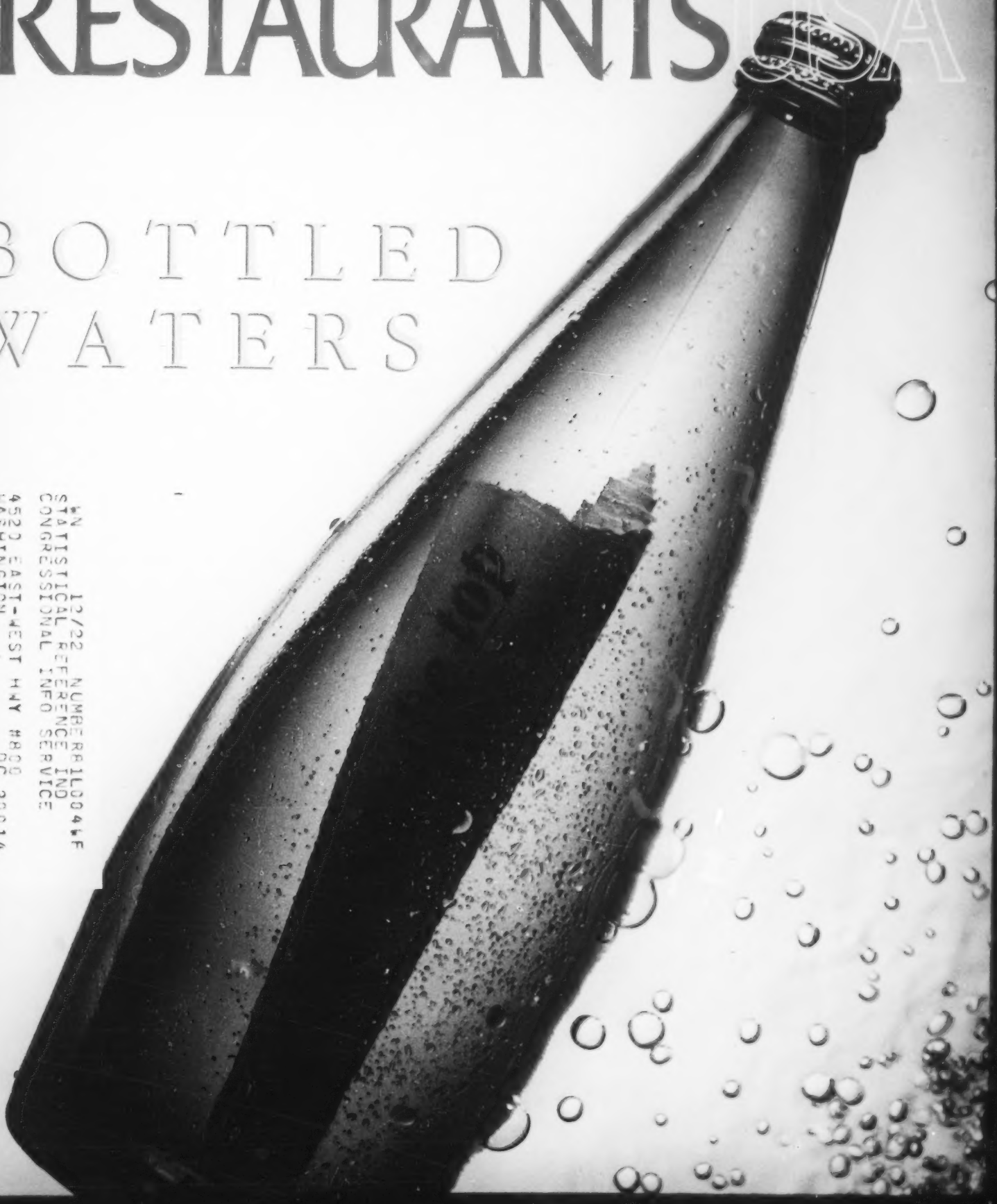

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ASSOCIATION MEETINGS

SEMINARS

Basic Foodservice Courses

Dining Room Management
1/25 Washington, DC
1/27 Dallas, TX
2/9 Chicago, IL
2/11 Toronto, Ontario
2/23 San Francisco, CA
2/24 Anaheim, CA
3/7 Burlington, VT
3/9 Orlando, FL
3/15 Rochester, NY

Employee Motivation
2/22 Vancouver, B.C.
2/24 Saskatoon, Saskatchewan
2/26 Winnipeg, Manitoba
3/22 Boston, MA
3/23 Hartford, CT

Increasing Sales: Effective Front-of-the-House Management
1/28 Oklahoma City, OK
2/25 San Diego, CA
3/7 Washington, DC

Kitchen Management
1/21 Oakland, CA
1/22 San Diego, CA
2/8 Seattle, WA
2/22 Wilmington, DE
3/7 Chicago, IL
3/8 Portland, ME
3/28 Tampa, FL

Tools for Training
3/7 Gatlinburg, TN
3/9 Philadelphia, PA

Food Production Courses

Perfecting Your Culinary Skills
2/10 Cleveland, OH
3/28 Riverside, CA
3/29 San Diego, CA

Soups and Sauces
3/14 Atlantic City, NJ

Foodservice Management Courses

Banquet Management
3/16 Berkshire, MA
3/18 Seattle, WA

Beverage Management
2/10–11 San Diego, CA
2/24–25 Charlotte, NC

Do-It-Yourself Public Relations
2/24 Portland, OR
2/25 Seattle, WA

Food Cost Management
2/2 Jacksonville, FL
2/3 Tampa, FL
3/14 Los Angeles, CA

Foodservice Computer Spreadsheets
1/20 Washington, DC

Hiring in a Tight Labor Market
1/20 New York, NY
1/21 Philadelphia, PA

Menus That Sell!
1/27 Ventura, CA
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1/25–26 San Francisco, CA

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Server Selling Skills Training
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3/24 Philadelphia, PA

Wine-Server Training
2/9 Philadelphia, PA
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For more information, contact:
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If your company is interested in our in-house programs, call or write to the attention of Frank Doyle at the Washington, DC, office.

NATIONAL CONFERENCES

Independent Foodservice Operators' National Conference
1/24–26 Miami, FL

National Conference on Computers in Foodservice
3/8–11 Orlando, FL

Conference on Planning and Financing Restaurant Growth
3/27–29 Los Angeles, CA

EXECUTIVE STUDY GROUP SERIES

Financial Officers
4/6–8 New Orleans, LA

Foodservice Purchasing Managers
5/18–20 Chicago, IL

Internal Auditors
4/26–29 Charleston, SC

Large Independent Operators
3/18–20 Monterey, CA

Management Information Systems (MIS—formerly EDP)
4/12–17 Scottsdale, AZ

Marketing Executives
5/18–21 Chicago, IL

Multi-unit Architects, Engineers and Construction Officers (MAECO)
5/18–20 Chicago, IL

Quality Assurance
4/20–22 San Diego, CA

Tax Executives
4/6–8 New Orleans, LA

For more information on specific study groups, contact: Philip Kralovec, (312) 853-2525.

Published by the National Restaurant Association

RESTAURANTS USA
VOL. 8 NO. 1 JANUARY 1988

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Restaurants USA (ISSN 0890-5584) is published monthly, except combined June/July issue, by the National Restaurant Association, 311 First St., N.W., Washington, DC 20001. Membership dues include a one-year subscription to ***Restaurants USA***. The non-member subscription fee is $125 per year. Second-class postage paid at Washington, DC 20001 and additional mailing offices.
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PRESIDENT'S REPORT

Michael J. Grisanti, President and Chief Operating Officer
Grisanti, Inc., Louisville, KY

Legislative issues continue to affect foodservice

A new year brings new prospects to our industry, but also new challenges. In today's volatile political and economic climate, it is more crucial now than ever before that we work together to meet these challenges.

A number of legislative issues that unfolded in 1987 will continue to have an effect in 1988. Just before year's end, the House and Senate, in an effort to move a federal deficit-reduction tax package through quickly, passed legislation including a provision mandating that employers pay FICA taxes on tips.

The association was vehement in its opposition to this provision, arguing that tips are a transaction between guest and server over which the restaurant owner has absolutely no control. Tips are not payroll and therefore should not be taxed as such.

Furthermore, the association repeatedly pointed out, additional revenues raised by this tax go into the Social Security fund, which is solvent. They cannot be used to offset actual deficit spending.

This provision was passed without due regard for the businesses, particularly small businesses, it will affect. This year is an election year. Look carefully at how your representatives voted on this and other issues affecting our industry. It is our shared responsibility to make certain that men and women attentive to our concerns are selected to represent us in Congress.

Basic Facts About AIDS

Another issue making headlines in 1987 will continue to do so in 1988. Occasionally, the association's headquarters in Washington receives member inquiries about Acquired Immune Deficiency Syndrome (AIDS). In response to these inquiries, the association has published a brochure, *Basic Facts About AIDS*, which is being mailed to association key members this month.

The brochure explains how AIDS is transmitted and emphasizes two points:

1. AIDS is not contracted through casual contact in the workplace.
2. AIDS is not a foodborne disease.

This brochure is intended for distribution to employees who have expressed concern about contracting AIDS at work. It should not be distributed in any other circumstance or to restaurant patrons. Please contact the association's Washington headquarters if you need additional information or copies.

Promotional video, radio spots released to national media

Promoting the foodservice industry will continue to be a priority in 1988. We have begun a monthly series of radio news releases, or "actualities," that emphasize different newsworthy aspects of foodservice, from the economic forecast to upcoming conferences to holiday traffic statistics. These actualities are disseminated over news wires to radio stations nationwide.

We have also produced the first in a series of video news releases that are sent to television news programs across the country. The first video focused on the pending labor shortage and how the industry is combating it through our "America's Hospitality Industry" campaign

INFO 88, National Conference on Computers kick off 1988 conference schedule

that promotes careers in foodservice. Watch your local stations for this and other news segments produced by the association.

Last-minute registrations are still being taken for INFO 88, the association's annual conference designed exclusively for independent operators. The dates are January 24–26; the place, Miami's elegant Fontainebleau Hilton.

And the National Conference on Computers in Foodservice, a mecca for operators planning to automate their establishments or to build on systems they already have, is set for March 8–11 at the Hyatt Orlando Hotel in Orlando, Florida. Highlights of the conference include a detailed analysis of today's most popular foodservice systems and workshops on software application. In addition, software and hardware vendors will be on hand to demonstrate their products. This conference is a must-attend event for business owners hoping to remain competitive in today's computer age. Contact the association's Educational Foundation at (800) 424-5156 to register for INFO 88 and the National Conference on Computers in Foodservice.

Operating ratio survey mailed

Finally, the annual operating ratio survey has been mailed this month to key association members. Results of this survey are used to compile the *Restaurant Industry Operations Report*. Please fill out the survey and send it in as soon as possible; all those who respond will receive a free copy of the report when it is published later this year.

It is my pleasure to welcome 170 new members who joined the National Restaurant Association in December. Your participation in the association will benefit your business and will make the association more effective in its representation of the foodservice industry.

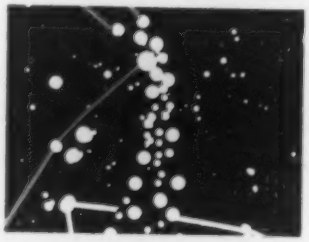
Sincerely,

Michael J. Grisanti
President and Chairman of the Board

COVER STORY: BOTTLED WATERS

11

Bottled waters are rising to the top of the beverage market. As the fastest growing segment of the beverage industry, bottled waters offer a profitable new market for restaurateurs. With health consciousness and alcohol awareness now among the trends driving the industry, analysts believe the impact of bottled waters has only just begun.



SPECIALS

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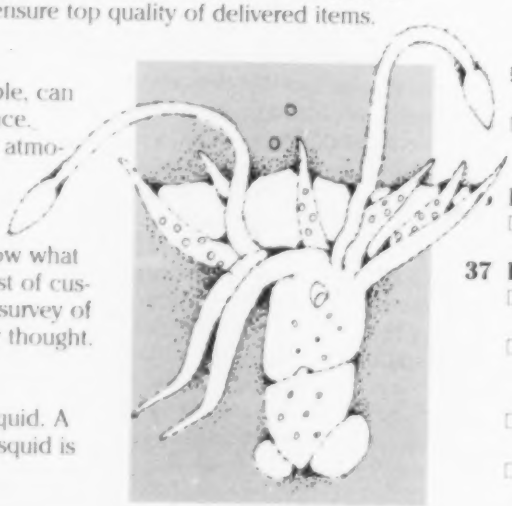
Responding to staff shortages in the foodservice industry, temporary agencies are beginning to supply employees with job skills ranging from dishwashers to executive chefs.

19 Expediters—restaurant air traffic controllers
Taking a cue from air traffic controllers, many restaurants are developing separate expediter positions to maintain calm in hectic kitchens, direct the flow of orders and ensure top quality of delivered items.

22 Restaurant atmospherics
Atmosphere, sometimes an ignored intangible, can make or break a customer's dining experience. Here's how you can target your restaurant's atmospheric elements.

24 Alphabet of gripes
Sure, customers have gripes, but do you know what bothers them most about dining out? This list of customers' top complaints, taken from a Zagat survey of New York diners, will provide some food for thought.

26 Squid
Customers are no longer squeamish about squid. A versatile, multinational and nutritional item, squid is catching on in restaurants.



30 Busing tables—the beginning of a future
For many successful restaurateurs, busing tables has been the first step in their climb up the foodservice ladder. Here is how some self-starters have used their busing experience to good advantage.

32 Other ways to the top
Success stories don't always begin with busing tables. Here is a look at some of the other avenues restaurateurs have taken to the top.

34 Operational reporting systems
Operational reporting systems—which help monitor often overlooked variables, such as service and menu items—can help restaurateurs with operations management, long-range planning and practical decisionmaking. This article outlines how you can develop an effective OR system for your restaurant.

Cover photograph by Gary Landsman

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Wine sales can go up; seminar gives pointers

"It is easy to increase wine sales as much as 35 percent simply through better merchandising of a restaurant's wines," said wine consultant Edmund Osterland at a recent wine seminar sponsored by American Express at Washington, DC's Vista International Hotel.

"The average wine customer wants to know just two things: what a wine tastes like and whether or not it goes with what he or she is eating," said Osterland. "Because many people are unsure of themselves in a wine-purchasing situation, the best way to sell them wine is to put them at ease by suggesting the proper wine. That means having a knowledgeable waitstaff that is comfortable with recommending an appropriate wine."

Osterland maintains that servers will only want to sell something that is easy to sell and that increases check averages and, therefore, their tips. He even proposes that inexperienced waiters carry a "crib sheet" under their order pads to boost their knowledge and confidence about suggesting a wine that goes with a particular meal.

Creative merchandising helps wine sales, too, such as pairing an appetizer with a complementary glass of wine and offering them at a special price. "People go to a restaurant because they are hungry and thirsty," said Osterland. "Don't serve them free bread and free water. Sell them an appetizer and a glass of wine!"

The National Restaurant Association will be offering a seminar in wine-server training on February 9 in Philadelphia. Also available is a three-part video series for a comprehensive look at merchandising strategies and wine-server selling skills. These videos and Edmund Osterland's book *Wine and the Bottom Line* can be ordered by calling the National Restaurant Association's publications department at (800) 424-5156 or (202) 638-6100.

The 1988 Monterey Wine Festival poster, designed to commemorate this year's March 20–22 festival, is now available for sale. The colorful poster by Monterey artist Jean Wilsdon Brenner measures 26 inches by 18 inches. Cost is $20 per poster plus $2 for shipping and handling. A limited number of artist-signed posters are available for $35 plus $2 shipping and handling. For further information, write to MWF National Restaurant Association, 150 N. Michigan Ave., Suite 2000, Chicago, IL 60601 or call (800) 247-4448 or (312) 853-2525

Special enrollment for disability income plan

A special enrollment period is now in progress for the National Restaurant Association Group Disability Income Insurance Plan. During this time, members under age 60 may apply for up to $1,500 in monthly cash benefits, which would provide a valuable source of income replacement should disability strike. This special enrollment period will end March 1, 1988.

Recent statistics show disability insurance is now ranked second only to life insurance as the most necessary form of insurance. And according to the Health Insurance Association of America, for people between the ages of 35 and 65, disability insurance ranks equal to life insurance.

Disability income insurance protects one of the most important assets: a member's income. When a disabling illness or injury strikes, paychecks stop. But expenses don't. Plus there will be added costs for doctors, the hospital, medications, labs and X-rays, rehabilitation and so forth. Savings and investments can be depleted fast. In fact, according to the *National Underwriter*, 48 percent of the mortgage foreclosures in this country are the result of disability.

The National Restaurant Association Disability Income Plan can help with a monthly tax-free benefit of up to $1,500. Additionally, members may choose when benefits start and how long they will continue. Each person covered by the plan tailors coverage to suit his or her own needs.

Uninsured members will be receiving complete information about the disability income plan in the mail shortly. Further questions may be directed to the association's insurance administrator: Albert H. Wohlers & Co., NRA Group Insurance Plans, 1500 Higgins Rd., Park Ridge, IL 60068-5750. Call toll-free: (800) 323-2106. Illinois residents call (312) 698-2221.

Father and daughter win foundation scholarships

For the first time in 15 years, a father and daughter have won, in the same year, scholarship awards sponsored by the Educational Foundation of the National Restaurant Association (formerly NIFI).

James Huss, an assistant professor of Hotel, Restaurant and Institutional Management at Iowa State University, won a $1,000 Heinz-NIFI Graduate Degree Fellowship to pursue a doctorate in higher education at Iowa State. His daughter, Patricia Huss, a junior at Purdue University, won a $700 IFMA (International Foodservice Manufacturing Association) Gold Plate Scholarship.

In all, there were seven Heinz-NIFI Fellowships awarded for the 1987-88 academic year and 100 IFMA Gold Plate Awards presented to undergraduate and graduate students.

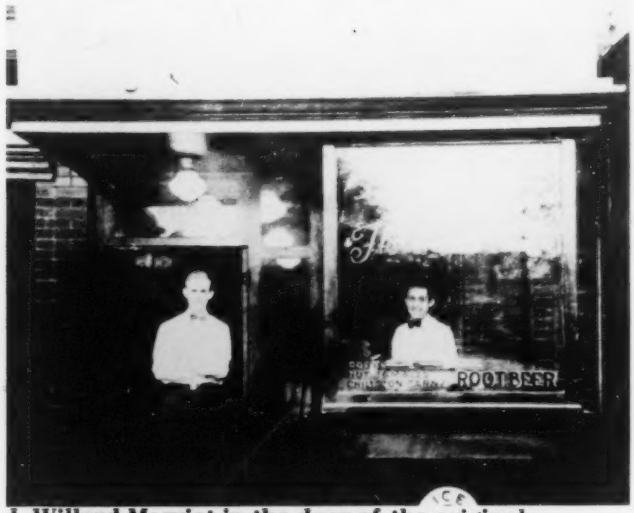
60 years of Hot Shoppes recipes

For the first time in 60 years, Marriott Corporation is revealing its Hot Shoppes recipes in a full-color cookbook titled *Marriott Hot Shoppes Cookbook: Sixty Years of American Cookery.* The 240-page hardcover anniversary edition is not only a cookbook, but also a nostalgic scrapbook of photos and anecdotes of Americans on the move during the past six decades.

More than 200 of the Hot Shoppes' most popular recipes for classic American dishes are contained in the collection, including such favorites as *Chicken Noodle Soup, Maryland Fried Chicken, Waldorf Salad, Southern Almond Pie* and the all-time favorite drink, *Orange Freeze.*

The publishing of the cookbook breaks a Hot Shoppes tradition of keeping recipes secret. This tradition was established by founder J. Willard (Bill) Marriott at the first Hot Shoppe in 1927.

The dishes have been adapted from the Hot Shoppes recipe cards that Bill Marriott considered to be the key to his success because they enabled his restaurants to create consistent high quality. All the Hot Shoppes' chefs were expected to produce the food exactly as described in the recipe cards. Bill asked his chefs to memorize the cards, and he occasionally tested them on the contents.



J. Willard Marriot in the door of the original Hot Shoppe

Johnson & Wales College culinary team selected

Johnson & Wales College has announced the formation of a six-member student team that will represent the college in international culinary competitions, including the 1988 International Culinary Olympics in Frankfurt, Germany, this October.

The Johnson & Wales Culinary Team will make its official debut in London, England, in January at the Hotelympia, Le Salon Culinaire International de Londres. "Being on the team is a big commitment. The students are in an intensive training program," said Noel Cullen, team manager and director of operations for Johnson & Wales culinary arts division.

All team members are under age 21 and were chosen on the basis of a skills event taken from the Hotelympia competition guidebook. The students were not only judged on originality, work methods and timing, but also on their ability to handle pressure.

The Johnson & Wales College Student Team, left to right: Douglas Alley of Beals, Maine; Suzanne Finkele of Wellsboro, Pennsylvania; Christine Stamm of Bloomingburg, New York; Dannella McWilliams of Gainesville, Georgia; William Erlenbach of Vaiparaiso, Indiana; and Wendy Geiler of Baltimore, Maryland.

February is for cherries

February is National Cherry Month. Many restaurateurs are finding that a month-long promotion featuring the cherry can be fun and profitable. With events such as Presidents' Day, St. Valentine's Day and, this year, the Winter Olympics in February, it is easy to tie in cherries with other events for effective promotions.

Whether you are serving cherry pie, cherries jubilee, cherry mousse or any of hundreds of cherry recipes, you can make your customers and employees very enthusiastic about this special promotion.

Daily and weekly cherry specials can be promoted using colorful table tents and posters, developed by the Michigan Cherry Committee. For further information, contact Phil Calvert, Michigan Cherry Committee, P.O. Box 30285, Lansing, Michigan 48909; (517) 321-1231.

Congress agrees to FICA tax increase

Bowing to intense pressure from the Reagan administration, House and Senate tax writers agreed on December 17 to a provision bitterly opposed by the National Restaurant Association that would make restaurateurs liable for Social Security (FICA) taxes on *all* reported tips. The proposal, if signed by the president, becomes effective January 1, 1988.

The issue of whether restaurateurs should have to pay FICA taxes on all reported tip income reached a critical stage the first week of December when it came before the Senate Finance Committee. During a closed "mark up" session on December 3, the committee—despite the best efforts of the association and its allies—voted to include the controversial proposal in its final tax package. The full Senate then voted on December 10 to include the proposal in its $9 billion tax bill.

The association had fought the proposal at the subcommittee and committee levels in both the House and Senate, and the Finance Committee was one of the last avenues open to the association to stop the proposal. If enacted, it would require that *all* reported tip income be treated as if it were wages for Social Security (FICA) tax purposes. Under current law, an employer pays FICA on only those tips used to satisfy minimum-wage requirements. Tips that put an employee above the minimum wage are not subject to employer FICA taxes.

Last fall the association stepped up its lobbying effort, both in Washington and at the grass-roots level, in the wake of a November "budget summit" calling for some $76 billion in deficit reductions over the next two years. The results of that summit changed the dynamics of the tax debate, interjecting a new player—the administration—into the proceedings. *(see p. 9)*

Kennedy, Hatch introduce polygraph bill

Sens. Edward Kennedy (D-MA) and Orrin Hatch (R-UT) have joined 10 other senators to sponsor bipartisan legislation limiting the use of polygraph testing in the private sector. The bill, S. 1904, was introduced in early December as an alternative to a House-passed bill, H.R. 1212, that prohibits employers from using lie detectors under any circumstances.

S. 1904 would ban all preemployment and random polygraph testing, but would permit regulated lie detector use when an employer reasonably suspects that a particular employee is involved in a workplace crime. The association has said it is willing to support this balanced approach, recognizing that in the absence of this "incident-specific" alternative an absolute ban is likely.

According to Hatch, scientific evidence indicates that "the typical lie detector test given to job applicants cannot predict future performance nor guarantee employee honesty."

Among the other provisions of S. 1904:

- The employer must complete a written statement detailing the basis for polygraph testing before requesting that any employee take the test.
- No employee could be disciplined or dismissed for refusing the test or failing the test without additional supporting evidence.
- The test must be conducted under certain prescribed circumstances.
- Employers must post signs explaining when polygraph testing is legal.

Association petitions DOL on H.O. 10

The association has petitioned the U.S. Department of Labor (DOL) for an amendment to exclude restaurants from coverage under DOL's Hazardous Order 10. H.O. 10 prohibits 16 and 17-year-olds from operating power-driven slicers in the slaughtering and meat-packing industries, and DOL policy has been that it applies to retail establishments such as restaurants.

Many restaurants use food slicers on their premises, but operators risk civil penalties if they allow anyone under 18 to operate or clean these machines. The association has argued that modern food slicers, with their built-in safeguards, do not pose a safety problem for employees and that it is questionable whether H.O. 10 should ever have been applied to restaurants. However, DOL maintains that restaurants are covered by the order.

Other machines that have proven to be safe for minors have been exempted from coverage under DOL orders, so there is precedent for exclusion of food slicers on these grounds. For example, bacon-slicing machines equipped with certain safeguards can be used by 16 and 17-year-olds in a restaurant setting, and pizza-dough rollers, covered by H.O. 11, can also be used by 16 and 17-year-olds if the machine has adequate safety features.

Bumpers speaks out on parental leave

Senate Small Business Committee Chairman Dale Bumpers (D-AR) told a group of business lobbyists meeting at the association's headquarters that his colleagues in the Senate are "ambivalent" about a parental leave bill. A bill, S. 249, by Sen. Christopher Dodd (D-CT) would require employers to provide up to 18 weeks of parental leave and 26 weeks of medical leave. Bumpers predicted it would not pass in its present form and speculated that a "watered-down version would have trouble."

(FICA cont'd)

With the administration strongly in favor of a FICA increase, the association knew it would be that much more difficult to keep out the FICA proposal. However, with active lobbying by the state restaurant associations and a revitalized grass-roots "key contact" program, the association felt it could win the issue.

Up until the December 3 committee vote, it looked as if the association would prevail in its effort to keep the administration-backed proposal out of the Finance Committee bill. A number of senators assured the association that they did not favor its inclusion in the bill. However, Treasury officials objected strenuously to its removal and created a situation where other unpopular taxes would have to be raised in order to strike FICA from the bill.

Sen. John Chafee (R-RI) led the fight to keep the FICA increase out of the bill. During committee markup, he moved that the FICA proposal and a 0.2 percent FUTA tax extension be eliminated and replaced with a small increase in the cigarette excise tax. But his motion was defeated.

The association had hoped to achieve some modification to the proposal—such as postponing its effective date—during House/Senate conference deliberations. But in the rush to complete a huge budget reconciliation bill before Christmas, Congress was not willing to make changes in the FICA provision.

Association officials say if Congress persists in treating tips as wages, then the association is prepared to move forward with legislation to substantially increase the tip credit.

Key Contact Program boosts lobbying efforts

□ **June 4, 1987:** *Nine senators cosponsor a bill that would force restaurant chains of 10 or more units to label the ingredients in their packaged foods.*

□ **November 16, 1987:** *After only two hearings, the Senate Labor and Human Resources Committee indicates that it may be ready to "mark up"—amend and then vote on—legislation requiring employers to provide health insurance to all employees working more than 17.5 hours a week.*

□ **January 5, 1988:** *The 100th Congress reconvenes for its 1988 session. Among the bills that might become law this year—if both the Senate and House sign off on them—are bills hiking the minimum wage to $4.65 by 1990 and requiring employers to give new parents 10 weeks of job-protected leave.*

In the jockeying for access and influence that occurs in Washington, many restaurateurs have lost sight of the important role they can play in the legislative process. The simple fact is that if they take the time to register their personal disapproval or support for a bill, their actions can affect the outcome of an issue.

But without that crucial "contact" from restaurant constituents, members of Congress are apt to be swayed by others who cannot be expected to have the best interests of the foodservice industry in mind. Now, thanks to the association's revitalized Key Contact Program, restaurateurs are learning how to get involved and how to make their voices heard in Washington.

The association's "key contacts" are restaurateurs who have established a relationship with their representative or senator. For many, this is as simple as writing an occasional letter, attending a town meeting or inviting the legislator to visit their restaurant once a year.

When an industry issue comes up for action in Congress, the association pinpoints the legislators who need to be contacted—perhaps the whole Congress, members of just one committee or simply a legislator whose vote is critical. Program coordinators alert key contacts in the relevant congressional districts across the country, who then get in touch with their members of Congress to urge them to vote for or against a proposal.

The Key Contact Program's philosophy is simple: Restaurateurs who take time to get to know their members of Congress have a big impact when they speak out on issues.

Issues are becoming more demanding

"I was never involved before because I felt too busy. I always thought that someone who knew more about the political scene would take care of things," says Bernard Schreiner, a key contact from Schreiner's Restaurant in Fond du Lac, Wisconsin.

Like Schreiner, most restaurateurs are caught up in the hectic day-to-day business of running a restaurant and feel far removed from Washington, DC. "We're novices. We're not politically oriented. We're small businesspeople, barkeepers, hamburger-flippers," says restaurateur and key contact Donald O'Neill (Spring House Restaurant; Rochester, New York).

A National Restaurant Association key contact, Denny Hanson (Sheep Shedde Restaurants; Olivia, Minnesota), discusses industry concerns during a meeting in his restaurant with Sen. Dave Durenburger (R-MN).

For whatever reason—time constraints, unfamiliarity with the way Congress works, cynicism about whether calls and letters make any difference—many restaurateurs have not gotten involved in legislative fights.

But last year's unprecedented onslaught of labor legislation—minimum health benefits, minimum wage, parental leave, occupational risk notification and more—is forcing changes. As Schreiner notes, "I finally realized that legislation was coming at my business in record amounts." A Texas snack bar operator sums it up succinctly: "I'm getting involved because Congress keeps dipping into my pocket."

The personal touch

A basic tenet of the Key Contact Program is that legislators will have an easier time understanding a con-

stituent's concerns if they know something about the constituent. A member of Congress who has dropped by a constituent's restaurant for a cup of coffee or a lunch discussion, for example, will find it much easier to describe "real life" concerns when speaking about specific legislation.

Many restaurateurs don't realize that most members of Congress return home nearly every weekend and during congressional recesses to meet their constituents—in town hall meetings, in roundtable discussions on specific district issues and in individual appointments.

O'Neill took advantage of these "home stays" to invite Rep. Frank Horton (R-NY) and his staff to his restaurant. "I told him there were no burning issues to discuss—that I just wanted to get acquainted," says O'Neill. When Horton confirmed a date, O'Neill also invited several other local restaurateurs.

"Being able to invite a member of Congress to your restaurant makes things a lot easier. It's a familiar spot in the community, and the atmosphere encourages good conversation," O'Neill notes. O'Neill says the two-and-a-half-hour meeting laid solid groundwork for contacting Horton later about legislative issues.

Schreiner hosted a similar restaurant meeting for his congressman, Rep. Tom Petri (R-WI). After discussing the federal legislation, Schreiner gave Petri a tour of his operation, discussing the laws and regulations that govern his business, such as payroll taxes, sanitation requirements and wage and hour laws. "He was amazed at the number of people involved in the business," Schreiner says.

Schreiner points out an extra incentive for a member of Congress to visit a restaurant: The people who are eating and working there are voters also.

The Key Contact Program's philosophy is simple: Restaurateurs who take time to get to know their members of Congress have a big impact when they speak out on issues.

Constituent opinions make a difference

Although many constituents believe their congressional representatives are too busy to pay attention to one person's concerns, the opposite is true. Washington opinions, while helpful to members of Congress, don't have much to do with whether voters in their district or state re-elect them.

Restaurateurs who have gotten involved stress that their efforts have been worthwhile. "If they don't hear from us on these issues, they'll have to assume that the legislation does not pose a big problem for us," says Schreiner. "I don't write to be negative or simply to complain. I write to make them understand my side of the story. I think my input helps them make a good decision."

Congressional offices agree that constituent contact makes a difference. "If we get 100 personal letters—not postcards or form letters—on a given issue, that obviously has a big impact on the congressman," says an aide to Rep. Tim Penny (D-MN). Penny serves on the House Education and Labor Committee, the panel that makes the initial recommendations on issues like minimum wage and parental leave.

Rep. Steve Bartlett (R-TX), a member of the same committee, holds weekly staff meetings to review constituent mail—to tabulate numbers and see how opinions are running on different issues. Bartlett reads all letters sent to him.

"Rep. Bartlett uses the mail to learn," says a staff assistant. "He often has an instinctive feeling when a bill is bad. He guesses intuitively, for example, that a minimum-wage increase equals lost jobs. But a letter from a constituent saying she will have to lay off one of her four hostesses, or two of her 12 servers, gives him the real life example he needs. This can be invaluable during floor debate."

Constituent contact is also likely to be critical when a member of Congress is leaning one way or another on an issue. Rep. Liz Patterson (D-SC), one of a significant number of House members who remain uncommitted on parental leave legislation, told an association lobbyist that she and other "uncommitteds" are waiting to hear from their constituents on the issue.

Professional lobbyists are no substitute for constituents. While lobbyists know the legislative process, can target key legislators for intensive lobbying and can come up with the arguments and "macro" numbers to bolster a debate, they are not able to relate a bill's "real life" impact.

Simply put, a trade association cannot reach its legislative goals if constituents at home do not join in the lobbying effort.

Key Contact Program must grow

"This is the first time we've had an organized network of operators in place really prepared to aggressively and concertedly push for the industry's interests," says Paul Lazar (Wharf Tavern, Inc., Warren, Rhode Island), who chairs the association's State Relations Committee that set up the Key Contact Program. "If there's any problem with the program, it's only that we need more key contacts."

More than 270 restaurateurs have signed up since the program began two years ago. Some of these know their members of Congress well; others are just beginning to develop relationships. Most do not consider themselves "political types."

"The Key Contact Program is set up in a way that makes it easy to go to work," says key contact Denny Hanson (Sheep Shedde Restaurants; Olivia, Minnesota). Each key contact receives a binder of information containing biographies of their members of Congress, a congressional schedule listing when Congress is in session or in recess, summaries of each industry issue, and an industry fact sheet to leave with the member of Congress.

For more information on the program, call the association's state relations department at (800) 424-5156 or (202) 638-6100.

—Jay Morris
—Denise Roach

BOTTLED WATER

The Beverage of the Future?

Bottled waters are the fastest growing segment of the beverage industry. Some beverage analysts believe the waters' impact on the U.S. marketplace has only begun. With health consciousness and alcohol awareness now among the trends that are driving the industry, consumers are ready to switch from other beverages to waters. Restaurateurs can tap into this growing potential.